Management training

Why courses often fail

Page 7

The KIO in Spain

Where did the billions go ?

Page 15

Martin Bangemann

Flexibility above all

Page 30

UK energy policy

Hard choices for Heseltine

Page 10

European exports

Who's winning and who's losing

Page 11

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY NOVEMBER 30 1992 — D8523A

South African attack deepens gloom over talks

Black gunmen killed four whites at a golf club in King William's Town in the first serious incident of terrorism against whites since talks began on ending apartheid. The attack will deepen gloom over constitutional talks, due to resume this week for the first time in six months, and could provoke a violent backlash from rightwing whites. Page 2

Threat to EC drilling plan: Norway and Denmark are threatening to postpone approval of EC moves to increase competition in North Sea oil and gas exploration and drilling. Page 12

Rhône-Poulenc, state-owned chemical group which the French government is trying partially to privatise, has painted a bleak picture of its prospects. Page 13

Pérez refuses to resign: Venezuelan president Carlos Andrés Pérez said he would not resign as a result of the failed attempt to topple his government because such a move would only "precipitate chaos and tragedy". Page 4

China-UK row deepens: China's row with Britain about democracy in Hong Kong worsened when senior Chinese representatives in the colony cast doubt over the future development of Hong Kong's container port. Page 12

European monetary system: The EMS grid has virtually been turned on its head over the past seven days. Devaluations of the escudo and peseta last weekend put these two currencies above their new central parities against the D-Mark – and at the top of the grid. The Irish punt is at the bottom of the grid. It is widely seen as the next devaluation candidate, in spite of assurances to the contrary from the authorities in Dublin. The French franc's relegation from fourth place to second from bottom signals new weakness in the currency following last week's ERM turbulence. Currencies, Page 25

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

Nippon Life Insurance, largest of Japan's life companies, reported a meagre 2.5 per cent increase in premium income for the first half, as the Japanese industry recorded its lowest level of asset growth in the postwar period. Page 16

Kuwait Investment Office, which claims to have lost billions of dollars on industrial investments in Spain, was at the same time making large profits there for institutional and private Kuwaiti clients, an FT investigation has found. Page 12; Where did the billions go? Page 15

UK may close USM: The Unlisted Securities Market, the UK's junior stock market, may close because of falling interest in the 12-year-old market set up to help entrepreneurs gain access to equity markets. Page 6; Lingering death, Page 13

Shelling in Sarajevo: Shelling and machinegun fire thudded through Sarajevo and other areas of Bosnia killing two people just hours before a truce between Bosnia's Serbs and neighbouring Croatia was due to take effect. Aid reaches Srebrenica, Page 3

BASF, German chemicals group, is to slash polystyrene capacity at its Ludwigshafen plant by 25 per cent because of falling demand and the impact on prices of the D-Mark's recent appreciation. Page 16

Aid workers fear US intervention: UN officials considering new relief measures for Somalia have been warned that large-scale US intervention could jeopardise the safety of aid workers in the country. Page 4

ICI, British chemicals group, is to decide in three months whether to pull out of chlorine production because of high electricity prices. Page 12

Alaska oil spill suits settled: The operator of the trans-Alaska pipeline has agreed to pay the state of Alaska and the federal government \$32m to settle outstanding lawsuits related to the 1989 Exxon Valdez oil spill. Page 4

Japan seeks defence cuts: The Japanese defence budget in 1993 is likely to suffer its first cut in real terms for 32 years, as the Y4,700bn (\$38bn) budget becomes a target for cuts to finance higher investment in public works. Page 2

Israeli flotation: Israel's government launched the country's biggest flotation of state-owned shares, placing its 42.5 per cent stake in investment group IDB Holding on the market for an expected return of \$350m. Page 16

Asian trade bloc: Five former Soviet central Asian republics have joined the Economic Co-operation Organisation, a group set up by Pakistan, Iran and Turkey to expand mutual trade. Page 2

Austria	Sch30	Greece	Dr260	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S\$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs65	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2200	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	Fmk12	Korea	Won2500	Philippines	Peso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils500	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.30	Lebanon	US\$1.25	Portugal	Esc180	UAE	Dh10.00		

Kohl reassures foreigners and vows to fight far right

By Judy Dempsey in Bonn and Hugh Carnegy in Jerusalem

MR HELMUT KOHL, the German chancellor, yesterday vowed to combat rightwing extremism as part of a two-pronged strategy aimed at reassuring the country's 6m foreigners and restoring Germany's tarnished image abroad.

Mr Kohl, speaking on German radio just three days after the interior ministry banned the extreme rightwing Nationalist Front, said the "full force of the law would be applied" against those involved in attacks on foreigners.

At the same time, the country's main tourist agencies carried full-page advertisements in newspapers, condemning the attacks on foreigners, and reassuring the international community that the country remained a haven and home for foreigners.

Mr Kohl's interview followed a fresh attack on a refugee hostel in the eastern German town of Eberswalde, in which 18 rooms inhabited by Bulgarian and Romanian refugees were gutted by fire, and a weekend of anti-racism demonstrations throughout Germany.

Yesterday, Israel issued its sharpest condemnation to date of the spate of racist violence. Mr Yitzhak Rabin, the prime minister, called on the authorities to "crush the head of the snake while it is small".

A cabinet statement said the Jewish state viewed with deep concern "the phenomena of neo-Nazism, racism and anti-Semitism". It added: "The government demands that the matter be dealt with with the full severity of the law and that everything necessary be done to prevent these phenomena."

However, the cabinet rejected demands from opposition MPs and one government member that Jews from Israel and elsewhere should boycott Germany. Instead, the statement expressed appreciation for those in Germany who "struggle against racism."

Public opinion in Germany is rallying behind the government's pledge to curb the rise of the far right, though Mr Kohl has been criticised forreacting too slowly to extremism.

Efforts to contain the violence runs in parallel with talks by the main political parties about how to amend the constitutional right to asylum, which guarantees the right of any individual to seek political asylum in Germany.

Asylum demands, Page 3
Europe's flexible friend, Back Page Section II

Major urges compromise

UK warns of market risks if EC summit fails

By Lionel Barber in Brussels and Ivo Dawnay in London

MR JOHN MAJOR, the UK prime minister, will this week warn of the danger of fresh turmoil in international financial markets if the European Community fails to resolve its differences in a comprehensive accord at next week's Edinburgh summit.

As he embarks on a new round of diplomacy today, Mr Major is preparing to tell fellow heads of government that a series of complex deals must be reached to restore market confidence, fuel recovery and, thereby, prevent the recession deepening into a slump.

With mistrust of the British presidency of the EC still running high in European capitals, the UK prime minister must persuade his counterparts to compromise on issues ranging from the Community budget to enlargement and the political crisis caused by Denmark's rejection of the Maastricht treaty.

In Brussels, senior EC officials are concerned that Mr Major may be gambling too much on his powers of personal diplomacy to forge the alliances necessary to avoid failure at the Edinburgh summit on December 11-12.

The prime minister's task has become trickier as France has stepped up its campaign to peel away support for the EC-US compromise on farm subsidies in the General Agreement on Tariffs and Trade talks.

A solid EC majority remains opposed to scuppering the deal, but some countries such as Spain and Belgium appear to be wavering. Mr Major is in Luxembourg today and will hold crucial talks in Madrid tomorrow with Mr Felipe González, the Spanish prime minister. His support is needed to meet Danish requests for exemptions from the Maastricht treaty and to overcome Madrid's opposition to opening talks early next year on EC enlargement with Austria, Finland, Sweden, and Switzerland.

But Mr Gonzalez is bitterly disappointed at the UK's tough new proposals on the shape and size of the EC budget leading to the end of the decade.

The UK plan was presented to a meeting of EC foreign and finance ministers in Brussels last Friday, and drew a storm of protest from poorer EC countries led by Spain.

Britain wants to freeze EC spending for the next three years, and to limit growth to a "ceiling" of 1.22 per cent of the Community's gross national product in 1996 and 1997, before lifting it to 1.25 per cent in 1998 and 1999. The approach won support from Germany, the Netherlands and richer EC members, but Greece, Ireland, Spain and Portugal denounced the compromise and called for the allocation of greater resources known as "cohesion funds".

France has been wooing Spain in an effort to build a coalition in favour of renegotiating the deal with the US on farm subsidies on the grounds that it is not compatible with the EC agreement last May to reform the Common Agricultural Policy.

The aim is to end France's isolation within the EC on the Gatt trade talks, thus avoiding the exercise of a French veto which would provoke a serious split in the Community.

Spain and Maastricht, Page 5
Monday Interview: Martin Bangemann, Sect II

Russian president Boris Yeltsin at yesterday's Moscow meeting of representatives from democratic groups from all over Russia

Yeltsin calls for new reformist party

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, called yesterday for the establishment of a pro-reform political party, of which he pledged to be part.

He made the call as it became apparent that his government has no effective agreement with the Civic Union centrist bloc on the eve of a critical Congress of People's Deputies session which starts tomorrow. Civic Union support is thought to be essential if the government is to avoid defeat.

Democratic Russia, the group which supported Mr Yeltsin in his successful bid for the presidency last year, has split into a number of factions, and prospects for effective unity among reform forces with weak party structures are remote.

As reformists and Civic Union continue to trade charges and veiled threats, Mr Yeltsin told a meeting of his supporters in Moscow that a reformist party must be created – and that he "would be with that party and in that party".

To applause from the audience of representatives of democratic groups from all over Russia, he said that "economic reform at the beginning of this year looked more dead than alive – but now, market mechanisms are beginning to fully work".

Civic Union leaders spoke in different tones yesterday, but it was clear that no final deal on the shape of the government reform package and on the membership of the cabinet has yet been reached.

Mr Alexander Vladislavlev, leader of the Renewal party within the Civic Union and deputy head of the Russian Union of Industrialists and Entrepreneurs, said he believed that the government saw the need for a stronger and more interventionist state – a key demand of the Civic Union – and that the administration should not resign as long as it introduced "corrections" into its reform programme. However, Mr Vassily Lipitsky, head of the executive committee of the Party of Free Russia was quoted by the official news agency Itar Tass as saying further cabinet changes were required.

Government ministers appeared to accept that no agreement had been reached and that none was likely. Mr Andrei Nechayev, the economics minister, told the democrats' conference that behind the Civic Union's words of support for reform lay an attempt to take the economy back to administrative control.

Mr Andrei Kozyrev, the foreign minister, used the same gathering to appeal to "democratic allies" in the west for "more par-

Continued on Page 12
Editorial Comment, Page 10

Matsushita sends 500 workers on a Japanese sales odyssey

By Charles Leadbeater in Tokyo

MATSUSHITA, the world's largest consumer electronics group, has launched an unprecedented drive to boost sales with a plan for staff to visit 10m Japanese households in three months to find out what would encourage consumers to spend more.

About 500 Matsushita staff have been sent from Osaka and Tokyo to work with more than 19,000 local retailers from Hokkaido in the north to the island of Okinawa in the far south in making the household visits, usually in the evenings and at weekends.

Matsushita earlier this month reported a 65.6 per cent drop in pre-tax profits to Y67.9bn (\$548m) in the six months to September, largely as a result of a slide in Japanese demand for videocassette recorders, televisions and audio products.

The company launched the campaign at the start of last month and plans to complete most of it by the end of the year. Staff are using computer records of customers kept at local shops to visit regular customers, check whether their existing Matsushita products are working properly, make repairs free of charge and ask customers what sort of new products they would buy.

The results will be analysed at Matsushita headquarters in Osaka this spring as part of a wide ranging review of the company's strategy.

About 60 per cent of Matsushita's Japanese sales are made through about 19,000 small independent retailers which serve local markets. Matsushita has told the retailers that their ability to compete with large department store chains will depend on their ability to build strong links with their local customer base.

The retailers will be expected to make at least five home visits a day for most of next year.

Matsushita's main competitors such as Toshiba and Sony are less dependent on small retailers, making about 60 per cent of their sales through large store chains.

In common with other manufacturers, Matsushita is attempting to discard the management orthodoxy of the late 1980s that it needed a huge variety of consumer products. It is concentrating on making fewer products, fewer model changes and making its goods simpler to use.

CONTENTS

BANK ON A BANK THAT'S DECISIVE.

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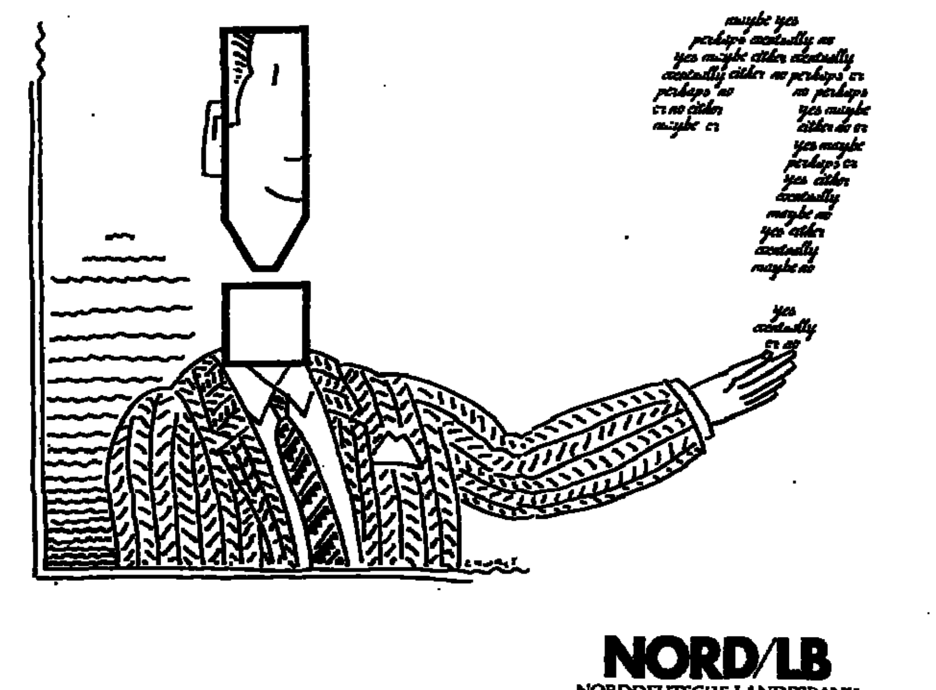

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Japan's defence budget likely to be reduced

By Charles Leadbeater in Tokyo

THE JAPANESE defence budget is likely to suffer its first cut in real terms for 32 years under plans for the 1993 budget drawn up by the Finance Ministry.

The Y4,700bn (£25bn) defence budget has become one of the main targets for Finance Ministry cuts to finance higher investment in public works to help to revive the flagging economy.

Although the main reason for the cut is the need to stimulate the economy, it marks the long delayed impact of the end of the Cold War on Japanese defence policy.

The planned cuts in the 1993 budget are likely to lead to a review of the medium-term defence spending plan, adopted in 1990, which envisaged real growth in the defence budget of 3 per cent a year between 1991 and 1995.

Defence spending in Japan has had a privileged status despite the country's constitution which limits the role of its forces to providing a minimum level of national self-defence.

Between 1961 and 1979 defence spending grew at an average of about 14 per cent a year. In the 1980s the growth slowed but was always more than 5 per cent a year. Last year's budget rose by 3.6 per cent and this year the defence forces have called for a 3.8 per cent increase in spending.

The Self Defence Agency is fighting a fierce rearguard action against the Finance Ministry which is believed to have proposed the budget should be cut to below 1992 levels. A senior SDA official said: "We will never accept zero growth."

The debate should come to a head in the second week in December.

The SDA says Japanese defence policy needs to reflect the strong growth of defence spending in nearby South Korea and China. It also argues there is limited room for cuts because about 80 per cent of the budget is made up by staff costs or payments on contracts which have already been awared.

The SDA believes the budget will need to be expanded to respond to calls from the US for Japan to carry a larger burden of the costs of US forces stationed in Japan as well as international peace keeping operations.

The debate over the budget is complicated by negotiations between the defence forces and the US government over plans for Japan to buy two Awacs reconnaissance aircraft. A deal is likely to be made within the next few months adding about Y120bn to the budget. This would make a significant contribution to reducing Japan's politically sensitive trade surplus with the US.

Overall public spending is likely to grow by about 1 per cent to about Y72,000bn. However spending on public works will rise by about 5 per cent to about Y8,600bn. This will mainly be financed by cuts in current expenditure on welfare programmes, which account for Y12,300bn and education (Y6,000bn) as well as defence.

Despite the low growth in overall spending, Finance Ministry officials describe the budget as supportive because they are maintaining spending despite a drop of about Y5,000bn in tax revenues.

Japanese protestors against corruption carry caricatures of politicians: Shin Kanemaru, Noboru Takeshita and Kiichi Miyazawa

S Korean group may help build motorway

By John Burton in Seoul

POHANG Iron and Steel (Posco), South Korea's largest steelmaker, will negotiate with China this week about its possible participation in the construction of a $8bn (£5.2bn) motorway between Beijing and Hong Kong.

China is also seeking support from other Korean companies, including Dong Ah Construction, and Japanese and Taiwanese partners.

Mr Park Tae-joon, honorary chairman of Posco, will hold talks with Shougang, China's leading steelmaker, about forming a consortium. Posco is already advising Shougang about construction of a cold-rolled steel mill. The building of the 2,400km motorway would take at least a decade.

Airliner flight tape 'missing'

South Korea said at the weekend that the flight data recorder tape of the Korean airliner downed by a Soviet missile in 1983 was missing from the aircraft's "black box" President Boris Yeltsin delivered in Seoul two weeks ago, writes John Burton.

The tape would help explain why the airliner strayed off course over Sakhalin island before being shot down, killing all 269 people abroad. South Korea's ambassador to Moscow is expected to seek an explanation for the tape's absence.

S African golf club attack leaves 4 dead

By Patti Waldmeir in Johannesburg

BLACK gunmen hurling hand grenades killed four whites and injured 17 other people attending a South African wine-tasting party at the weekend, the first significant incident of racial terrorism against whites since negotiations began to end apartheid.

A government spokesman said South Africa was "shocked and horrified" by the attack, which took place at a golf club in the white Cape Province settlement of King William's Town, as well as by other incidents in which 21 more people were killed at the weekend.

The golf club attack will deepen the mood of gloom which has set in among whites as constitutional negotiations have faltered, and could provoke a violent backlash from right-wing whites who oppose negotiations. Police clearly fear such a backlash, and yesterday called for "maximum restraint" from the public.

Police have offered a R50,000 (£11,000) reward for information leading to arrests in the golf club incident, much more than is normal for incidents involving black victims.

The government official said the King William's Town attack, the murder of four members of a white family in a robbery, and the deaths of 14 blacks in other violence, introduced "a harsh and discordant note" after recent tentative signs of progress in negotiations. The African National Congress (ANC) and the government are to meet later this week for the first formal constitutional talks to be held for over six months.

Local ANC officials condemned the golf club attack, describing it as an attempt by unidentified forces to foment violence in the region, which includes the volatile black homeland of Ciskei.

Police said five attackers hurled grenades into the club's bar and dining areas and started firing rounds with South African R-4 or R-5 automatic rifles into guests, killing two white couples and wounding 17 people, mostly whites.

"The scene was one of devastation. . .absolute carnage," said Mr Ray Radue, a member of parliament for the ruling National party who attended the function, held at the town's multi-racial golf club.

● Mr Nelson Mandela, the ANC president, yesterday assured South Africa's white soldiers, policemen and civil servants they would not be cast aside by a new non-racial democratic government, Reuter adds from Mamelodi, Transvaal.

"No-one will be thrown into the street, existing contracts will be respected," he said.

In the same speech he acknowledged that ANC guerrillas were being given military training in Asian and western countries. He said he had kept the government fully informed.

Central Asian republics join trade grouping

By Farhan Bokhari in Islamabad

FIVE FORMER Soviet central Asian republics along with Afghanistan at the weekend joined the Economic Co-operation Organisation (ECO), a grouping which was established by Pakistan, Iran and Turkey to expand mutual trade and business ventures.

The five are Azerbaijan, Kyrgyzstan, Turkmenistan, Uzbekistan and Kazakhstan. Tajikistan is also seeking ECO membership but was unable to send a representative to the Islamabad ceremony.

Pakistani officials are optimistic that, with a total population of 300m, the ECO member countries have a market which is sizeable enough to support new initiatives. However, some western experts have expressed concern in recent months over the rise of a new Islamic bloc after the collapse of the Soviet Union.

Pakistani officials and representatives from other member countries who attended the weekend meeting denied that the ECO would emerge as such a bloc which would threaten other countries.

Mr Sheharyar Khan, the Pakistani foreign secretary, said: "This is not an Islamic bloc. This is an economic bloc. We are all Islamic countries but we are focusing on economic co-operation".

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representative short- and long-term interest rate series and an average equity market yield. All figures are percentages.

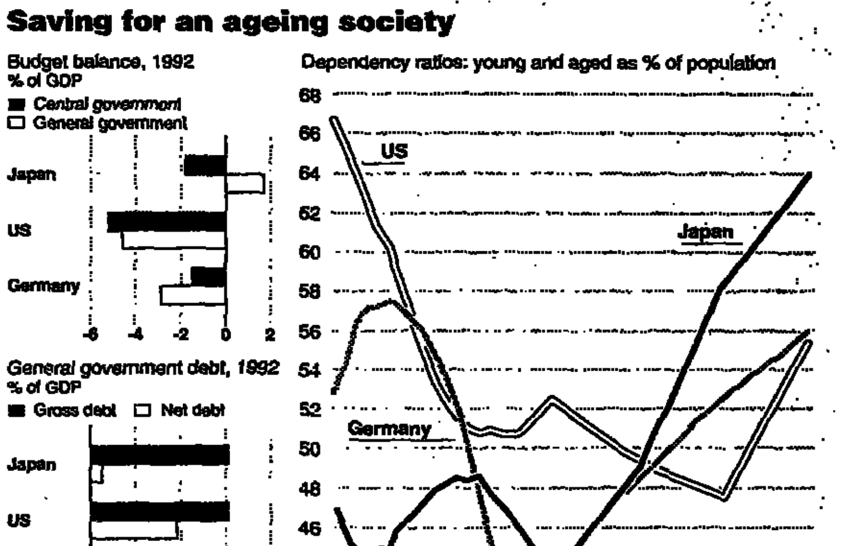
	UNITED STATES Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	JAPAN Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	9.0	8.9	8.00	10.59	n.a.	5.0	8.4	6.62	8.51	n.a.
1986	13.5	8.3	6.49	7.67	3.43	6.9	8.7	5.12	5.35	0.84
1987	11.6	6.5	6.82	8.39	3.12	10.5	10.4	4.15	4.64	0.55
1988	4.3	5.2	7.65	8.84	3.61	8.4	11.2	4.42	4.77	0.54
1989	1.0	3.9	8.99	8.49	3.43	4.1	9.9	5.31	5.22	0.48
1990	3.7	5.3	8.06	8.54	3.60	2.6	11.7	7.62	6.91	0.65
1991	6.0	3.2	5.87	7.85	3.21	5.2	3.6	7.21	6.37	0.75
4th qtr.1991	8.0	2.8	5.00	7.34	3.09	8.5	2.2	6.11	5.88	0.76
1st qtr.1992	11.0	2.9	4.17	7.29	2.90	7.5	1.7	5.01	5.49	0.88
2nd qtr.1992	11.7	1.9	3.95	7.37	2.97	5.7	1.2	4.56	5.63	1.04
3rd qtr.1992	12.5	1.8	3.35	6.61	2.96	3.2	−0.0	3.90	5.10	1.06
November 1991	8.2	2.9	4.98	7.41	3.09	9.3	2.4	6.09	5.96	0.75
December	8.7	3.0	4.67	7.08	3.08	8.8	2.0	5.94	5.72	0.81
January 1992	10.2	3.1	4.09	7.02	2.87	7.6	1.8	5.15	5.45	0.83
February	11.3	3.1	4.11	7.33	2.90	7.4	1.6	5.05	5.53	0.87
March	11.5	2.6	4.29	7.52	2.94	7.5	1.8	4.84	5.51	0.93
April	11.9	2.3	4.04	7.47	2.97	7.0	1.6	4.59	5.68	1.06
May	12.2	2.0	3.88	7.39	2.85	6.9	1.1	4.59	5.66	1.00
June	11.0	1.6	3.92	7.26	3.00	3.2	0.9	4.49	5.55	1.06
July	11.7	1.6	3.44	6.84	2.96	2.9	0.2	4.19	5.26	1.10
August	12.3	1.8	3.37	6.59	2.95	3.7	0.3	3.75	5.03	1.12
September	13.4	2.1	3.24	6.41	2.98	2.9	−0.5	3.74	4.99	0.98
October	14.3	2.3	3.32	6.58	3.02	2.4	−0.6	3.71	4.90	1.04

	GERMANY Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	FRANCE Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	4.4	5.1	5.45	6.94	n.a.	6.2	7.4	10.03	11.74	n.a.
1986	9.9	8.3	4.64	5.90	1.79	6.9	6.8	7.79	8.74	2.65
1987	9.0	7.3	4.03	6.14	2.21	4.1	10.0	8.26	9.46	2.75
1988	9.6	6.4	4.34	6.46	2.61	4.0	6.6	7.94	9.08	3.69
1989	6.3	5.7	7.11	6.94	2.22	8.0	9.5	9.39	8.79	2.88
1990	4.5	4.5	8.49	8.71	2.11	3.8	9.0	10.32	9.92	3.19
1991	5.2	5.6	9.25	8.44	2.38	−4.6	2.7	9.62	9.03	3.58
4th qtr.1991	4.2	5.6	9.47	8.29	2.45	−4.6	2.7	9.68	8.80	3.61
1st qtr.1992	4.3	6.6	9.62	7.91	2.31	−1.4	4.1	10.05	8.48	3.40
2nd qtr.1992	6.4	7.9	9.76	7.96	2.26	−1.9	5.1	10.04	8.66	3.39
3rd qtr.1992	6.7	8.8	9.72	7.88	2.53	−0.2	5.4	10.56	8.90	3.67
November 1991	4.1	5.4	9.43	8.32	2.42	0.8	4.9	9.56	8.82	3.56
December	3.7	6.1	9.61	8.24	2.52	−4.6	2.7	10.10	8.81	3.77
January 1992	3.9	6.3	9.54	7.91	2.39	−2.4	3.8	9.99	8.40	3.49
February	4.1	6.5	9.61	7.88	2.30	−2.2	3.6	10.08	8.44	3.40
March	4.9	7.0	9.70	7.94	2.25	−1.4	4.1	10.12	8.58	3.31
April	7.0	7.5	9.75	7.94	2.26	−1.5	4.5	10.04	8.67	3.37
May	5.8	7.8	9.79	7.96	2.26	1.7	5.8	9.96	8.58	3.33
June	6.5	8.2	9.75	7.97	2.27	−1.9	5.1	10.11	8.73	3.47
July	5.5	8.3	9.78	8.01	2.37	−0.7	5.4	10.23	8.90	3.69
August	6.6	8.8	9.88	7.99	2.60	−1.6	5.1	10.39	9.06	3.71
September	8.8	9.3	9.50	7.85	2.62	−0.2	5.4	11.12	8.75	3.81
October	8.4	10.4	8.95	7.38	2.72			11.12	8.43	3.83

	ITALY Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	UNITED KINGDOM Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1985	13.2	13.5	14.34	13.71	n.a.	4.7	13.2	12.32	11.03	n.a.
1986	10.5	8.2	13.25	11.47	1.41	4.0	15.3	11.02	9.97	4.35
1987	10.4	9.8	11.32	10.58	1.94	4.7	14.6	9.77	9.52	3.60
1988	7.6	6.9	11.24	10.54	2.71	6.6	17.0	10.41	9.69	4.46
1989	7.1	8.2	12.41	11.61	2.46	5.9	17.5	13.96	10.30	4.36
1990	9.3	9.1	11.98	11.87	2.84	5.3	16.1	14.82	11.53	5.07
1991	7.3	8.0	11.83	13.20	3.45	2.4	8.2	11.58	10.04	4.97
4th qtr.1991	9.0	8.3	11.84	12.92	3.59	2.9	6.1	10.61	9.72	5.03
1st qtr.1992	8.9	8.1	12.04	12.65	3.40	2.2	6.0	10.61	9.50	5.00
2nd qtr.1992	8.7	9.3	12.58	12.82	3.43	2.0	5.3	10.26	9.21	4.78
3rd qtr.1992	6.1	8.8	16.14	13.83	4.02	2.3	5.4	10.39	9.21	5.20
November 1991	9.0	8.3	11.66	12.92	3.58	3.0	5.7	10.54	9.77	5.00
December	10.5	9.0	12.47	13.03	3.67	3.1	6.3	10.84	9.68	5.25
January 1992	11.1	9.4	11.97	12.71	3.37	2.1	6.3	10.71	9.49	5.00
February	8.1	7.6	12.04	12.62	3.31	2.2	5.9	10.44	9.34	4.94
March	7.4	7.4	12.10	12.59	3.49	2.3	5.8	10.67	9.66	5.04
April	9.8	9.3	12.24	12.71	3.51	2.3	5.6	10.66	9.41	4.91
May	9.4	9.0	12.24	12.60	3.45	2.5	5.1	10.13	9.06	4.81
June	9.9	9.8	13.23	13.14	3.34	1.3	5.3	10.08	9.15	4.82
July	7.7	8.0	15.36	13.65	3.78	2.5	5.7	10.21	9.08	5.15
August	5.4	6.5	15.27	13.71	3.94	2.4	5.5	10.43	9.37	5.33
September	5.1	6.1	17.82	14.14	4.35	2.1	5.1	10.54	9.16	5.14
October	5.4	7.2	15.53	14.36	3.95	2.4	5.4	8.49	8.69	4.83

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US — 90-day commercial paper, Japan — 3-month certificates of deposit, Germany — 3-month Fibor, France — 3-month Pibor, Italy — 3-month Euro-lira, UK — 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Saving for an ageing society



Source: OECD projections

Age-old dilemma taxes Japan's Ministry of Finance

AMID THE SEA of scandal and profligacy which is Japan's pork barrel politics, the Ministry of Finance is an island of conservatism and fiscal rectitude. Its officials take their role as guardians of the government's finances seriously and were unhappy about the size of the recent budget package. The mere suggestion that it might be a little austere for the Japanese government to be running a budget surplus as the economy slides toward recession is enough to make their blood boil.

Not surprisingly, the Ministry of Finance prefers the world to take notice of its central government budget balance. Even after the Y10,800bn (£57bn) package, the general government budget will be in surplus next year by the equivalent of 0.7 per cent of gross domestic product. But the central government budget, as the latest OECD report on the Japanese economy stresses, will be in deficit to the tune of 2.4 per cent of GDP in 1993. The large discrepancy between the Japanese central and general government budgets is explained by the social security fund, the revenues from which are excluded from the central government budget, in contrast to the US where they are included.

One reason for emphasising the central government deficit is politics. The Ministry of Finance has bitter memories of the speed with which Japan's politicians allowed the budget deficit to rise in the years following the 1974-1975 recession and the difficulty it subsequently had in bringing the deficit down. The ministry has been fighting an economic guerrilla war to prevent a return to fiscal profligacy.

Yet the ministry is also worried about the fiscal implications of Japan's ageing population. The right-hand chart shows the projected dependency ratios of the US, Japan and Germany over the next three decades. The US had the steepest fall in its dependency in the 1960s and 1970s as the post-war baby boom generation moved into the labour force. But Japan is expected to have the largest rise as the baby-boomers move into retirement, and live longer lives. By 2020, over half of the US population, but nearly two-thirds of the Japanese will be either young or retired.

This helps explain why Japan has a higher personal sector savings rate than the US or Europe. But Japan also has a national savings rate that is almost twice as high as the US and UK, in part because the government is saving on behalf of its future aged. The social security fund showed a surplus of 3.5 per cent of GDP this year compared to 0.9 per cent in the US. Japan's social security fund assets are equivalent to over 50 per cent of Japanese GDP, explaining how the Japanese government can have a gross debt of over 60 per cent of GDP but a net debt ratio which is 5.4 per cent of GDP and falling, compared to an OECD average of 33 per cent.

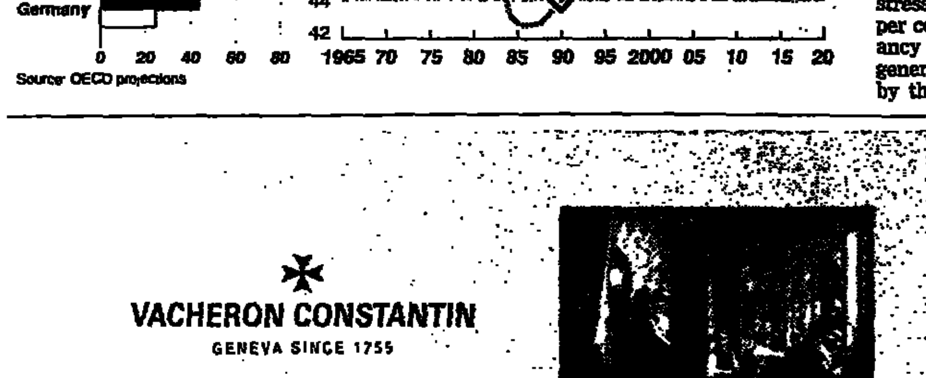
Does it make sense for the Japanese government to save in this way? Yes, say the OECD and the Ministry of Finance. The health and pension needs of Japan's ageing population could raise the ratio of non-interest spending by 30 per cent between 1990 and 2028, equal to 8¼ per cent of GNP. Unless the government saves and repays debt in order to reduce the interest burden, currently a little under 17 per cent of GDP, the general government budget will move into structural deficit and taxes will have to rise.

The alternative to higher taxes in the future is higher taxes and lower public spending today. But Japanese incomes per head are rising fast so taxpayers in the year 2028 will be absolutely much better off. The problem is that they will still have to pay a higher proportion of these higher incomes in tax, something the ministry fears they will both resent and oppose.

Yet the level of national savings will also determine how fast the Japanese economy grows between now and then. A high national savings rate now means more funds for domestic investment and more accumulated foreign assets.

We are all dead in the long run: but taxpayers in the US and UK may soon find themselves lamenting the fact that every year the long run takes longer to arrive.

Edward Balls



LEGAL NOTICE

NOTICE
BANKRUPTCY OF THE FEMIS BANK GROUP

The Trustees in bankruptcy of:
1. FEMIS BANK (ANGUILLA) LIMITED domiciled in Anguilla, British West Indies
2. FEMIS BANK LIMITED domiciled in St. Vincent and the Grenadines
3. FEMIS BANK ACCOUNT PARTNERSHIP (also known as Femis Bank Limited Partnership) domiciled in Anguilla, British West Indies
4. FEMIS C.V. domiciled in The Netherlands

All of which were declared bankrupt under Order No. 92/0101 pronounced by the District Court of Breda, The Netherlands on 22nd May 1992.

HEREBY GIVE NOTICE that:
The Examining Magistrate, the Right Honourable F.W.J. van den Bemter LL.M has stipulated that all claims in respect of the above companies must be submitted by no later than Wednesday 6th January 1993.

That a meeting of creditors will be held on Thursday 4th February 1993 at 10.00am in one of the Court rooms at The Court House, Sluisstraat 20, 4811 TA Breda, The Netherlands.

All claims should be submitted in writing to the trustee in bankruptcy, T.P.W.M. Kemphuizen LL.M, P.O. Box 4620, 4803 EP Breda, The Netherlands, fax number 31 76 149405.

Dated this 27th day of November 1992

UKRAINE

The Financial Times proposes to publish this survey on

20th January 1993

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Tel. (095) 243 19 57
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FINANCIAL TIMES

EUROPEAN FINANCE AND INVESTMENT

SWITZERLAND 17 DECEMBER

Finanzplatz Schweiz is in the midst of momentous change. Will bring more challenges. The FT Swiss correspondent, Ian Rodger, will analyse the repercussions for the financial system in this post-referendum report.

Nigel Bicknell/Simone Egli in Geneva
tel 022 731 16 04 fax 022 731 94 81
Ernst Jenny in Schwanden
tel 058 81 30 70 fax 058 81 30 76
Patricia Surridge in London
tel 071 873 34 26 fax 071 873 34 28

Human rights groups say British proposals break law

UK to seek EC harmony on asylum

By Andrew Hill in Brussels

BRITAIN will today press its 11 EC partners for further harmonisation of asylum and immigration policies – in spite of claims that the proposed rules break international law.

Faced with the growing problem of handling an influx of refugees from the ex-Yugoslav republics and eastern Europe, immigration ministers meeting in London will consider plans to speed the procedure for dealing with "manifestly unfounded" applications for asylum.

The Joint Council for the Welfare of Immigrants, Amnesty International and the European Consultation on Refugees and Exiles have all condemned the proposals. They claim member states are riding roughshod over existing international conventions on human rights.

The organisations are also worried about the lack of public scrutiny of intergovernmental negotiations on immigration policy, which take place outside the EC framework.

Mr Johannes Van Der Klaauw, Amnesty's EC representative, said on Friday: "The new rules do not adhere to the essential principles and safeguards – the minimum standards for satisfactory [asylum] procedures."

But Amnesty admitted that the fact that the EC would agree framework "resolutions" rather than legally-binding rules limited the opportunities for a legal challenge.

The London meeting, which will continue tomorrow, also provides the last formal opportunity for EC immigration ministers to discuss whether to lift internal EC border controls on people from January 1. Britain is determined to retain controls, despite European Commission objections, but other member states have also begun to voice doubts about removing all frontier checks so soon.

Mr Kenneth Clarke, British home secretary, who will chair today's meeting, told the European parliament last week there would be no general removal of frontier controls on January 1, when the barrier-free European market should be declared open.

The recent surge of violence against immigrants in Germany, and the EC's failure to ratify conventions strengthening external frontiers, has increased pressure on the ministers to toughen asylum policy and maintain border-checks.

The United Nations High Commissioner for Refugees, which has been discussing the new rules with the UK presidency of the EC, estimates that as many as 550,000 asylum applications could be made during 1992, 440,000 in Germany alone.

Ministers will also be asked to consider criteria for returning asylum applicants to the first "safe" country they reached, and for defining such countries.

Bangemann interview, Back Page, Second Section

Aid for Srebrenica after seven-month siege

Laura Silber arrives with the UN convoy bringing relief to a Moslem stronghold in Bosnia

WOMEN and children streamed down the hills in tears at the weekend as a United Nations relief convoy brought the first outside help to the Moslem stronghold of Srebrenica since the war erupted in Bosnia-Hercegovina in April.

It brought food and clothing to 70,000 people surviving on maize, oats, and potatoes in the ruins of Srebrenica. "We didn't dare to believe the Serbs would let you come here. Thank God," said 45-year-old Mrs Sabra Hasanovic.

Serb forces for seven months have besieged Srebrenica. As the convoy crossed lines in Serb-held Bratunac, most Serbs spat and swore at the passing white UN vehicles. Some black-clad women threw flowers.

As the convoy crossed the 2,000-yard no-man's-land into Srebrenica, children, many barefoot, and women dressed in *dimije*, baggy Turkish-style trousers, crowded the streets and jammed sagging balconies to welcome the UN.

The Ukrainian UN armoured personnel carriers were forced to bulldoze a Moslem barricade of burned-out buses to enter the town, nestled in the mountains. Local officials said the population of 30,000 had more than doubled, as Moslem refugees fled "ethnic cleansing" by Serb forces elsewhere in eastern Bosnia.

Moslem women told harrowing tales of journeys made on foot to sanctuary in the besieged town. "My father-in-law hanged himself when he saw the Serbs had set fire to his house. His wife dropped dead from the shock. Now I must take care of my two children," said Mrs Mera Kandjatorovic.

Citizens of Srebrenica wave as the UN relief convoy leaves. The poster reads "Thank you and come back".

Potatoes boiled on a wood-burning stove in a kitchen she and five other refugees now call home. "We've covered the windows with plastic bags, but it will soon be cold." People have crowded into any rooms which have escaped destruction. Stacks of wood piled outside every house are the only defence against the harsh winter. Maize has replaced currency, but there is little to buy.

The women and their thin children are terrified and hungry but the Bosnian fighters are in good spirits. They vow to defend the town, whose centre was burned out by Serbs when they briefly held it in April.

Mr Resup Naseroric, a local commander, said he did not hate his Serbian neighbours.

"We are not fighting a *jihad* [holy war], but the Serbian side is forcing us into one. We don't want it to be a religious war because there are also people of Serbian nationality on our territory."

Ironically, Mr Naseroric, 25, spent 4½ years as a personal bodyguard of Serbian President Slobodan Milosevic, widely seen as most responsible for the war in Bosnia. Fighters cajoled the town's first visitors into giving them cigarettes while others helped UN soldiers unload the 137 tonnes of flour, beans and sugar.

Doctors at Srebrenica hospital were aghast that the convoy brought no medicine. "We have nothing. No medicine, no pain-killers," complained Mr Aziz Husic, one of five local doctors caring for 70 wounded. The stench of blood permeated the freezing building. "We perform amputations without anaesthetic," he said. The hospital linen and even old bandages are washed in the river. The UN High Commissioner for Refugees (UNHCR) on Saturday said medicines would be included on the next convoy, which could be as soon as next week.

But the UNHCR managed to reach Srebrenica only after months of negotiations and a four-day stand-off at Bosnia's frontier with Serbia.

As winter sets in, Srebrenica waits for the siege to end. Mrs Hajruda Hrustic said: "This food will help. But it's not enough and maybe you will never be allowed here again. Help us to leave this place, or we will starve to death."

Business wants pay rises to stay under 3.5%

THE head of Germany's industrial federation said in a newspaper interview published yesterday that wages should increase no more than 3.5 per cent, about the expected level of inflation for the coming year, AP reports from Berlin.

Several large unions are in wage negotiations or preparing for them while the German economy is on the brink of recession, and the public sector workers' union, which struck for 11 days last spring, has announced an unexpectedly low bid for 5 per cent pay increases.

Mr Tyll Necker, president of the Federation of German Industry, was quoted in the mass-circulation Bild newspaper as saying 3.5 per cent should be the upper limit of wage rises because inflation is expected to be at that level.

Asked about possible strikes, Mr Necker replied: "Resistance against excessive claims of the unions is far higher in the current economic situation than in boom times.

"With zero [economic] growth there is nothing to share out."

The steel industry last week offered 3 per cent rises during talks with the IG Metall steel union, which is demanding 7.5 per cent.

The public sector workers' union said on Friday it would seek 5 per cent increases for its 2.1m workers. The union, the second largest after IG Metall, is a pace-setter for wage negotiations, and its initial demand was considerably lower than the 6.5 per cent demanded by the bank workers' union.

Germany not ready for UN council seat

CHANCELLOR Helmut Kohl said yesterday Germany would not be in a position to accept a permanent seat on the UN Security Council if one were offered today, Reuter reports from Bonn.

He said Bonn's post-war constitution for now barred Germany from shouldering an international role and sending troops on UN missions outside Nato territory.

Foreign Minister Klaus Kinkel told the General Assembly in September that Germany would not take the initiative, but would seek a permanent seat if a change in the council's composition was considered.

The council now has five permanent members with the power of veto: the US, Russia, Britain, France and China.

Mr Kohl's coalition wants German troops to be able to take part in UN peacekeeping missions and eventually fight alongside its allies on missions like the US-led Gulf war that drove Iraq out of Kuwait last year.

But the opposition Social Democrats are denying him the two-thirds majority he needs to amend the constitution, written to contain German military might after the war.

Mr Kohl said it was unacceptable that Germany had to withdraw the destroyer Hamburg from a UN-mandated force monitoring the embargo in the Adriatic after the Security Council decided ships sailing for Yugoslavia could be stopped and searched earlier this month.

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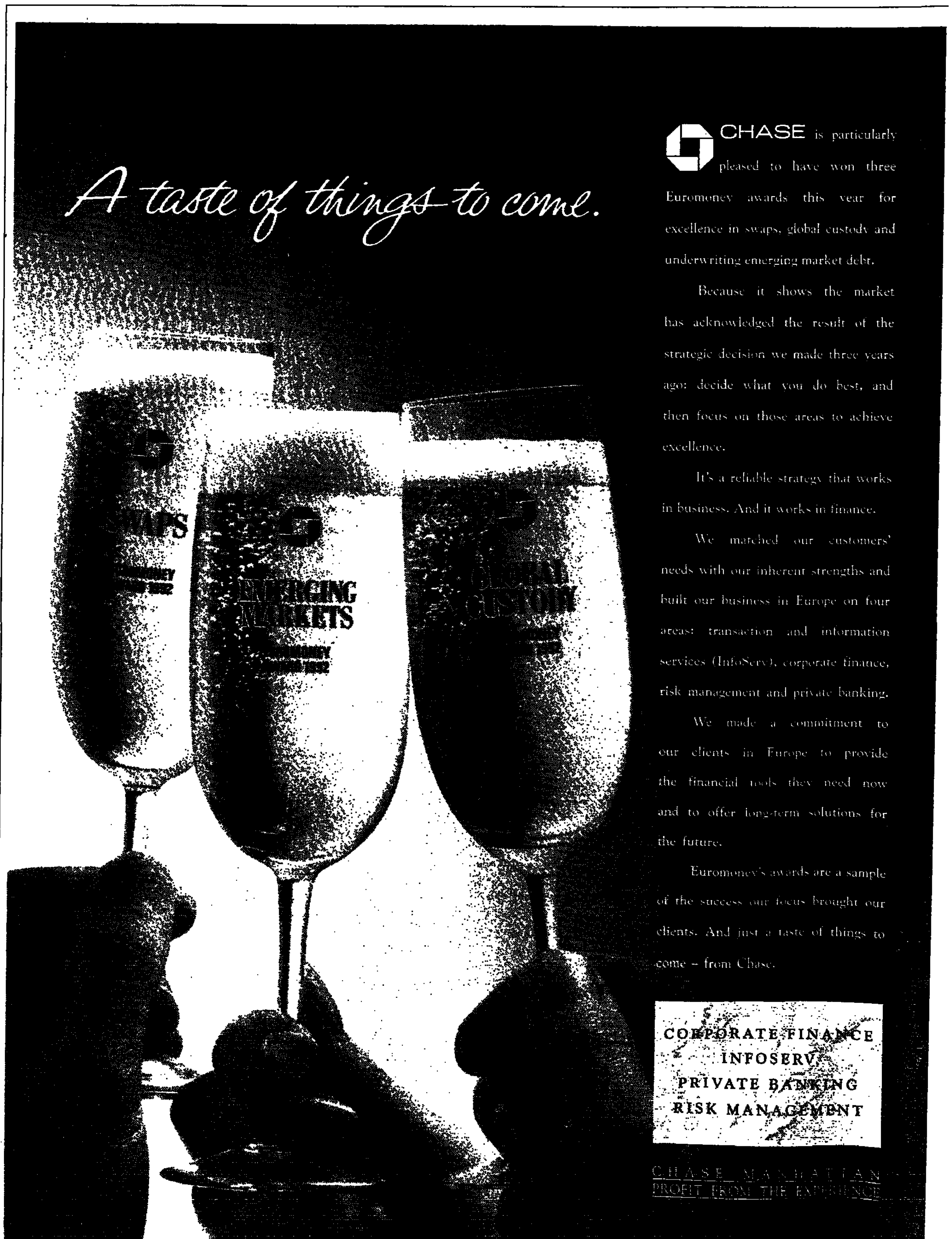
Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

Russian air traffic strike

RUSSIA'S air traffic controllers have threatened an all-out, indefinite strike from tomorrow in protest at a court action against the union for causing "economic sabotage" during a strike in August, John Lloyd writes from Moscow.

The Federation of Air Traffic Controllers says it will get support in 57 out of Russia's 135 airports, including those in Moscow. Mr Vadim Borisov, a spokesman for the union, said last night that this included Sheremetyevo 2, the main airport for international flights.

Mr Gennady Zaitsev, deputy director of the air traffic department, said at the weekend that the government would do all it could to keep air traffic, including international flights, moving.



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هكذا من الأصل

NEWS: INTERNATIONAL

Pérez refuses to resign over Venezuela revolt

By Joseph Mann in Caracas

PRESIDENT Carlos Andrés Pérez said in a televised speech yesterday that he would not resign as a result of the failed attempt to topple his government, saying such a move would only "precipitate chaos and tragedy in Venezuela".

Officials stressed that state and local elections would take place as scheduled on December 6, and that registered candidates and political parties could hold public rallies. All other public meetings are still banned under the government's emergency powers.

The government has arrested about 500 officers and 800 soldiers from different branches of the armed forces for participating in Friday's failed coup.

An estimated 170 people died during the unsuccessful rebellion, including military and civilians, according to Gen Ivan Dario Jimenez, the minister of defence. It was not immediately clear, however, whether this figure included some 45 prisoners who died during a break out from Caracas jail, and the total death toll, which includes 142 civilians, could be higher.

The minister indicated that while the attempted coup was led by elements of the Venezuelan Air Force, members of the navy, national guard and army (the latter to a very small extent) also participated.

The authorities have not yet identified civilians who played a leading role in the uprising, except to say that they are "subversives from the left".

The government of President Pérez, which faced a coup attempt nine months ago in which an estimated 40 people died, is to use special provisions under the Military Justice Code to bring those charged with military rebellion to swift judgment, perhaps within a fortnight.

Army officers who led the February 4 rebellion have used delaying tactics to stretch out their military trial, which is still receiving testimony from witnesses and the accused.

While some of the coup leaders were captured by military units loyal to the government, 93 officers and cadets escaped to Iquitos, Peru, in a Venezuelan air force Hercules C-130 just before pro-government forces took control of the country's main air force base in Maracay late on Friday.

Venezuela's minister of foreign affairs, retired general Fernando Ochoa Antich, said the government would be seeking to extradite the officers and recover the aircraft and weapons they carried with them.

Venezuela's capital was quiet yesterday, except for the detonation of faulty bombs, dropped on La Carlota airport by rebel aircraft last Friday.

On Saturday, the day after the coup attempt, residents of the capital formed long queues at food shops, but were frightened off the streets after an unidentified helicopter strafed the presidential office complex in the centre of Caracas.

Shooting also broke out between snipers, police and security forces near the president's office, but this had ended by Saturday afternoon.

The Pérez government has already begun to ease some of the emergency measures introduced on Friday. The 6pm to 6am curfew has been reduced to 10pm to 5am. Maiquetia international airport outside Caracas has been re-opened, and the Caracas Metro has begun operating a limited schedule.

However, the Ministry of Education announced that classes in state and private schools would be cancelled until the day after the elections.

Meanwhile, Venezuelan journalists protested at the government's decision to terminate normal news broadcasts by Radio Rumbos, the largest national radio network. The station continues to be on the air, but is broadcasting only music.


A twisted bomb in front of the presidential palace in Caracas is a graphic reminder of the attempted coup, while Gen Efrain Visconti (right), one of the rebel leaders, seeks asylum in Peru

Asylum problem for Peru

By Sally Bowen in Lima

THE arrival of an aircraft loaded with 93 Venezuelan military in the Amazonian town of Iquitos late on Friday has posed a delicate diplomatic problem for the Peruvian government.

Gen Francisco Visconti Osorio, the group's senior officer, claimed they fled Venezuela in danger of their lives. They had chosen to seek asylum in Peru because of "links of brotherhood which unite our people".

Diplomats and constitutionalists in Lima say that, on humanitarian grounds, the rebels could hardly be sent back to Venezuela. Granting them asylum, however, would further strain tense relations between the two countries.

Venezuela broke off diplomatic relations with Peru immediately after President Alberto Fujimori's April 5 coup and Venezuelan President Carlos Andrés Pérez has been one of the regime's most severe critics. As a result of last week's elections, however, relations were likely to be normalised soon.

One solution might be to shift the Venezuelans on to a third country, possibly Chile.

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Aid workers in Somalia fear US show of force

By Jurek Martin in Washington and Reuter in Nairobi

UNITED Nations officials *considering new relief measures* for Somalia have been warned that large-scale US intervention could jeopardise aid workers in the country.

Aid organisations battling against Somalia's famine have prepared evacuation plans, fearing reports that large-scale US military intervention will make foreign staff targets of Somali gunmen seeking hostages.

Virtually all relief organisations have said they would pull out of Somalia while troop deployment took place to avoid the risk of being attacked by racketeers who are angry at losing their grip on the "aid business".

The White House confirmed on Friday that the US administration had concluded that "some form of military activity" involving US troops was the only way to assure the security of relief supplies to Somalia.

Mr Marlin Fitzwater, the spokesman, said in Maine, where President George Bush is on vacation, that it was premature to speculate on troop deployments at this stage. Critical decisions have first to be reached in the United Nations Security Council, which has been holding meetings to discuss a Somali operation.

Somalia's two main warlords have cautiously welcomed reports of the US offer to help the UN protect food convoys and ensure aid reaches the needy. However aid workers with long experience of Somalia are sure armed gangs, only loosely controlled by warlords, would attack UN troops.

Washington is aware of the relief agencies' concerns that their staff in Somalia may be placed at greater risk by even the talk of outside military intervention.

However, it has concluded that the alternative would be to invite even greater criticism that it is doing nothing to prevent the humanitarian catastrophe.

There has been a fundamen*tal shift in the Defence Depart*ment's previously firmly held view that Somalia was unpropitious territory for the engagement of US forces.

At a National Security Council meeting last Wednesday, neither Mr Dick Cheney, defence secretary, nor Gen Colin Powell, chairman of the joint chiefs of staff, raised objections to the State Department proposal that as many as 30,000 US troops be offered to a UN force.

However this force is composed, the US military still wants to ensure that its contingent remains under US command. This reflects its new belief that looters controlled by various Somali warlords do not pose a serious military threat.

Mr Brent Scowcroft, the president's national security adviser, briefed President-elect Bill Clinton this week on the new US approach and reported that Mr Clinton fully supported greater US engagement.

Mr Larry Eagleburger, acting secretary of state, has been in touch with foreign governments in Europe and in the region, to drum up support for intervention. The case for this has grown stronger with the presentation of evidence that as much as 70 per cent of the international relief supplies reaching Somalia have been purloined and redirected to the broader African black market in food.

Alaska oil spill suits settled

THE OPERATOR of the trans-Alaska *pipeline* has agreed to pay the state of Alaska and the federal government $32m (£21m) to settle outstanding lawsuits related to the 1989 oil spill off the Alaska coast by the Exxon *Valdez, writes* Alan Friedman in New York.

Alyeska Pipeline Service Company, a consortium of oil companies formed to operate the pipeline, had been accused of failing to respond rapidly to the Valdez spill.

Under the agreed settlement, the money paid out by Alyeska will be used to build docks and warehouses to store equipment for the clean-up.

US authorities had previously settled their legal actions against Exxon, which said last year it would pay a record $1bn fine in connection with the Valdez disaster.

The state of Alaska is to receive $900m from Exxon, over 10 years, to settle civil charges, while Exxon and its Exxon Shipping subsidiary have agreed to pay a $150m fine to Alaska to settle criminal charges.

Franco to oversee prices policy

BRAZILIAN President Itamar Franco has taken control of prices policy, bringing under his direct purview all monthly adjustments for public sector tariffs and medicines, writes Christina Lamb in Rio de Janeiro.

The controversial *decision*, announced by presidential decree, means Mr Franco will decide the prices of petrol, telephone calls, electricity, rubber, interstate transport and sugar cane. These are now adjusted *monthly* by a department of the Economy Ministry to reflect inflation (running at 26 per cent a month).

Mr Franco was concerned for the ability of Brazil's poor to afford basic items and medicines. However, Petrobras, the state oil company, has been losing $10m (£6.5m) a day because of delays over price increases. The pharmaceutical companies retort that it is impossible to make *medicines* cheap enough for people who earn £33 a month.

The financial community fears the next step will be a return to full price controls in an attempt to control inflation.

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Tietmeyer firm on re-entry to ERM

By Peter Marsh, Economics Staff

BRITAIN and Italy should put their economies on a stable footing before being allowed back into the European exchange rate mechanism, Mr Hans Tietmeyer, deputy president of the Bundesbank, has suggested.

Speaking at a conference in London at the end of last week, Mr Tietmeyer also said he hoped the recent devaluation of the Spanish peseta and the Portuguese escudo had "cleared the air", and that no more ERM adjustments would be needed in the foreseeable future.

In a broad swipe at European governments, Mr Tietmeyer said they should continue to put their faith in the Bundesbank's ability to act as the linchpin of the ERM.

He also hinted that European monetary arrangements were more likely to evolve around the concept of a two-speed system, with specific countries excluded from an inner core of nations centred on Germany.

Echoing the tone of Mr Tietmeyer's comments, Mr Robin Leigh-Pemberton, governor of the Bank of England, also urged caution before Europe proceeded to a common economic and monetary policy. He told the conference that while many EC nations were "tackling deep seated structural shortcomings", it would be unwise to fix exchange rates across the continent as part of economic and monetary union.

Mr Tietmeyer, who is due to step up next summer to the top job at the German central bank, blamed the recent strains in the ERM on "economic policy discrepancies" within Europe.

While agreeing that high German interest rates related to German unification had been one factor, he said another reason for the summer's turbulence had been the divergence of the economies of the "core group" of ERM nations from those of Britain, Portugal, Spain and Italy.

Major sets off to sell British view of EC

By Ivo Dawnay, Political Correspondent

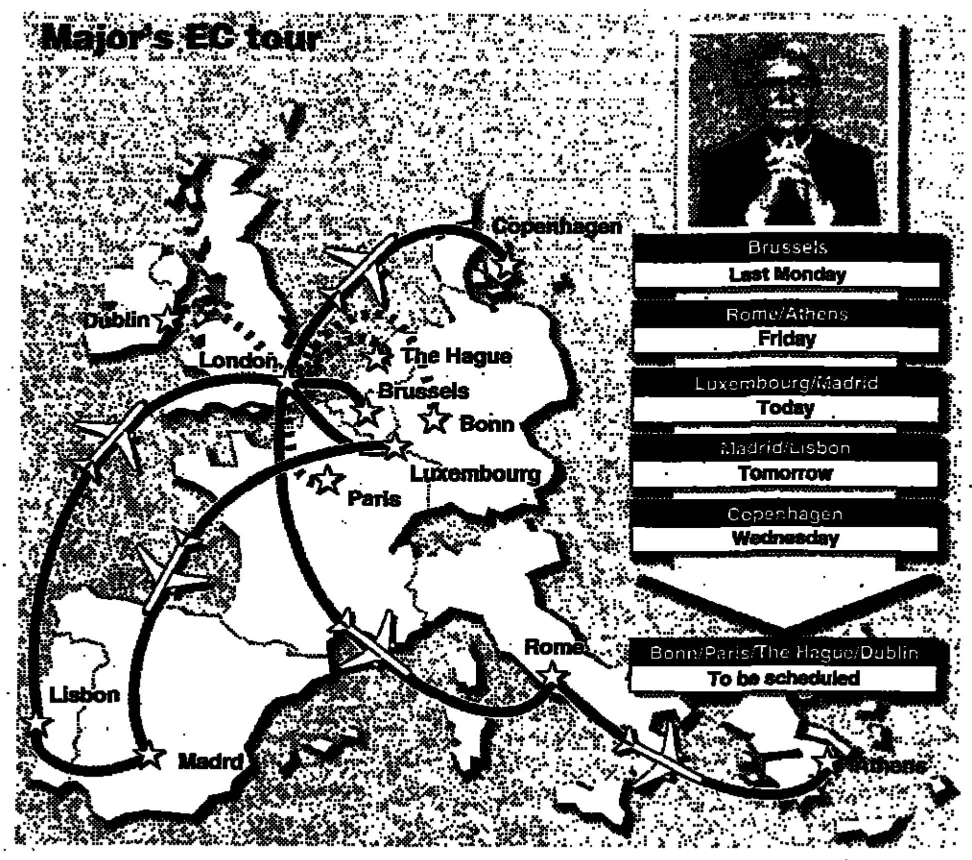
MR John Major embarks on a three-day round of European capitals today determined to impress on his fellow heads of government that there is a great deal more at stake at next week's Edinburgh summit than the reputation of the British presidency.

The prime minister's key message to Mr Felipe Gonzalez, his Spanish counterpart, when they meet tomorrow morning will be that all sides have a vested interest in reaching a deal as failure could tip recession into slump.

"What has to be made clear," said one British government minister last night, "is that agreements at Edinburgh could help market confidence and aid recovery, failure could turn recession into slump."

With the peseta, the escudo and the punt all highly insecure within their exchange rate mechanism bands, anything short of a success could provoke a fresh bout of jitters in the markets, again destabilising the ERM.

Mr Major's trip begins today with talks in Luxembourg with Mr Jacques Santer, the prime minister But the crucial visit is on the next leg to Madrid where he must attempt to calm Spanish anger at what they see as parsimony by the rich northern countries, led by Germany and the UK, over the cohesion fund for the poorer south.



Using all his powers of conciliation, Mr Major will claim Spain and its Mediterranean colleagues have already had a significant victory in the preliminary negotiations on future financing of the community.

A key element in the new arrangements means that the Value Added Tax element in the Community's revenues will be reduced immediately from 55 per cent to 50 per cent, rather than phased over five years. This has long been sought by Madrid.

Furthermore, Mr Major will stress that the difference between the UK presidency's financing proposals and those of the commission amount to just Ecu2.5bn (£2.02bn) a year.

He will juxtapose that figure with those showing the combination of the cohesion fund with existing structural funds will double total average annual provisions over the next seven years from Ecu8bn to Ecu16bn.

What he is desperate to avert, however, is any attempt by Mr Gonzalez to use an alliance with France involving the threat of opposition to the Gatt trade deal as fresh leverage on the north. He is also determined to avoid any opening of the debate on Britain's budget rebate.

Like other UK ministers, he will point out that the UK's commitment to the Community can be measured in the fact that, even with the rebate, it is the second largest contributor to EC funds.

One minister pointed out yesterday that the UK is aware that Spain needs a good deal to help sell the Community to its voters at a time when northern products and companies are increasingly penetrating its markets.

But the hardnosed bottom line is that Madrid must realise that no deal at all is a substantially worse option than what is on offer.

In some respects a similar message will be taken to Copenhagen where the Danes' demands for "opt-outs" from aspects of the Maastricht deal are top of the agenda.

The UK presidency appears increasingly convinced that acceptable wording on subsidiarity and openness can be found. But there are considerable concerns over Denmark's four additional requirements of exemptions on such common policies as citizenship rights and internal policing.

In spite of the mounting nervousness and doomsaying, however, there are still some in London who believe that the sheer complexity of the negotiation, alongside its urgency, could help rather than hinder a final successful outcome.

There is even some speculation that Paris could decide to keep its difficulties with Gatt off the agenda in order not to confuse it with all the other high-stakes poker now about to be played.

What is certain is that senior British ministers believe that the future financing of the community will be the central debate at Edinburgh. The success of the summit in resolving the other highly controversial and important issues also in play will depend on whether the financing deal can be agreed.

Spaniards to insist on all of Maastricht treaty

By Tom Burns in Madrid

WHEN Mr John Major, UK prime minister, arrives in Madrid he will be firmly told that he is killing the Maastricht spirit.

Mr Felipe González, the premier who led Spain into the European Community in 1986, will also tell Mr Major that he is determined to keep the Maastricht flame alive at the Edinburgh summit. The Madrid talks are likely to be the toughest facing the UK premier in his pre-summit tour of Community capitals.

"Major has introduced a whole set of uncertainties over European union," a senior aide to Mr González said. "We stand four-square behind what was agreed at Maastricht. We are very, very firm on this."

Mr González's platform has three planks: that the Community's budget should be appreciably increased; that the richer partners should increase their contribution to the budget; that the poorer partners should progressively receive more in order to catch up. This is essentially the basis of the so-called Delors II EC budget package agreed at Maastricht and it boils down to north-south transfers in the form of cohesion funds.

While the Spanish government accepts that recession will introduce some limits on Community spending it insists that these must be minimal and that convergence must demonstrably remain as the life-force of the Brussels budget. It views Mr Major's budgetary proposals as a blatant attack on the economic cornerstone of European Union and all the more sinister since they are made by a partner that has delayed its ratification of the Maastricht treaty.

Mr González is likely to refuse any compromise on Community enlargement unless there is a more generous approach on cohesion funds.

What most deeply irritates the González government is the manner in which the EC's northern tier, which is the net contributor to the Community budgets, views the poorer Mediterranean rim, together with Ireland, as "begging bowl" partners. Mr González's long experience of leadership, and Spain's ranking as by far the richest and biggest economy of the Community's less developed members, makes Madrid the most articulate spokesman of the convergence process that would erode economic imbalances that lie at the heart of the European Union ideal.

"Spain may be net a recipient now but in 5 to 10 years' time it could be a net contributor," says Mr Carlos Alonso Zaldivar, the head of the Madrid government's policy planning unit. "What the UK and the richer members forget is that we provide the markets that fuel EC growth."

Spain has narrowed its gap with the Community's northern tier – between 1985 and 1991 its per capita gross domestic product rose by 6.4 points to 79.2 per cent of the EC average – although EC funds flowing into Spain in the past six years have averaged only 0.3 per cent of the Spanish GDP. In contrast Community transfers to Greece and Ireland over the period have represented 3 per cent and 5 per cent of their respective GDPs.

In the meantime, Spain's trade balance with the EC, which accounts for 70 per cent of Spain's exports and 60 per cent of its imports, has deteriorated sharply since joining the Community. A 1986 deficit of £935.9m in trade with the EC had grown to £7.9bn by 1990.

Mr Major received a taste of Spanish feelings at last Friday's "conclave" of EC ministers in Brussels. Mr Carlos Solchaga, the Spanish finance minister, said that Mr Major's package was "not even rhetorically a compromise proposal". According to Mr Solchaga, "nobody who wanted to demonstrate that the spirit of Maastricht remains alive would have made such a proposal."

French Socialists court Greens

By William Dawkins in Paris

FRANCE'S weakened Socialist party renewed calls over the weekend for a partnership with the country's two environmental groupings, in an attempt to reverse a conservative victory in legislative elections next March.

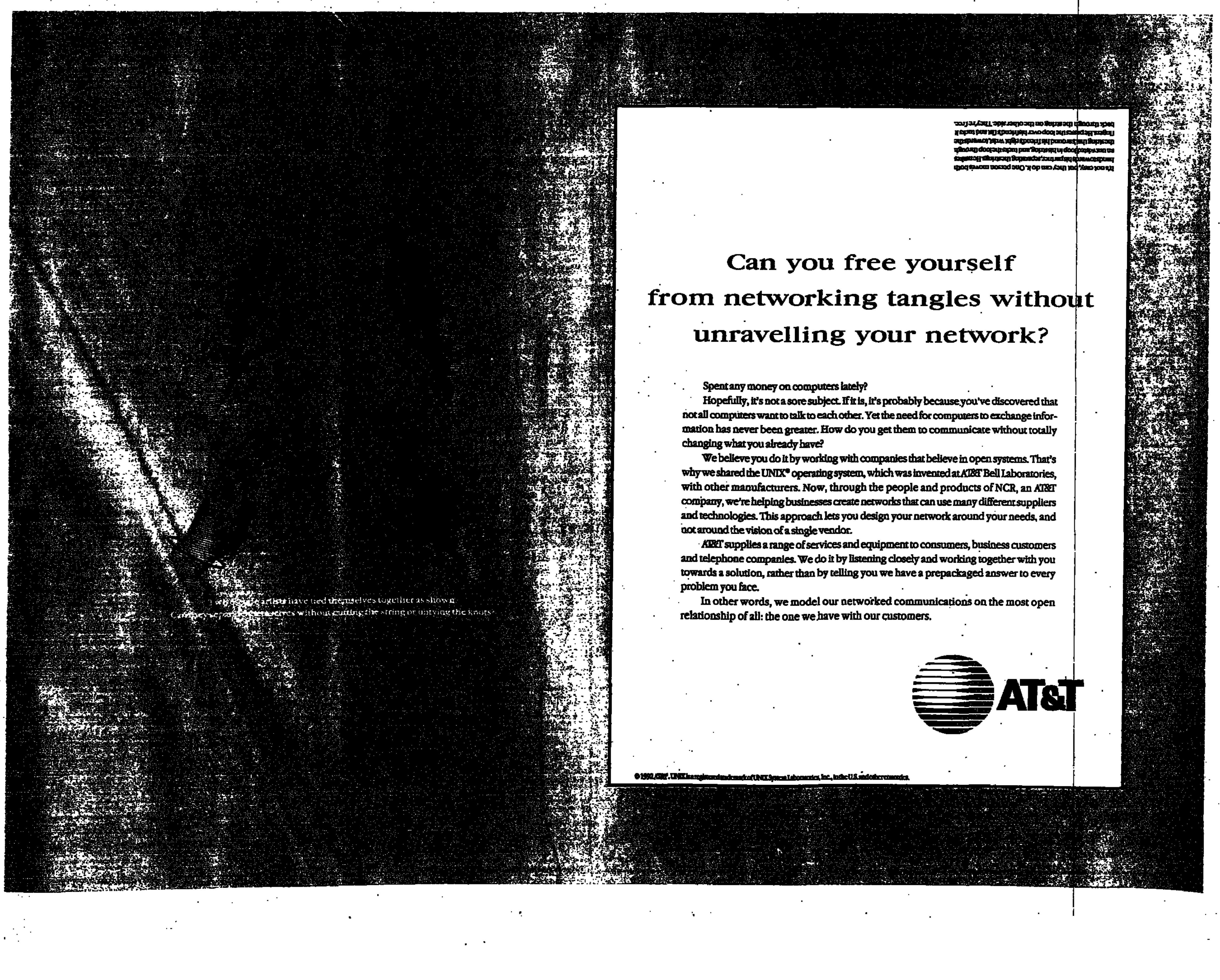
Mr Laurent Fabius, first secretary of the Socialist party, asked them to join a broad left-wing coalition of "forces of progress" also including independents and reformists. His call, at a meeting to prepare the Socialists' election strategy, comes nearly a month after Génération Ecologie and the Verts agreed to an electoral pact, expected to win them their first significant presence in the national assembly.

According to calculations by the Figaro newspaper over the weekend, green parties would beat the Socialists in more than a quarter of constituencies in the first round of a legislative election and win enough votes to get through to the second round, for a run-off.

The projection, based on last March's regional election results, in which the Socialists were humiliated, indicates that ecology candidates would beat 20 per cent of the current Socialist MPs in the first round. The two green parties attracted a combined 14 per cent of the votes in the regional elections, making them France's third political force after the conservatives, which won 33 per cent in March and the Socialists with 18.3 per cent.

However, the projection should be taken with caution since French regional polls are by proportional representation, while the general election is run on a single majority vote by constituency.

Socialists agreed over the weekend to reserve 30 constituencies for non-Socialist candidates, including ecologists. However, politicians of both green parties have so far been unwilling to join forces with the Socialists on the grounds that they would do better alone.



UK junior market may close

By Andrew Jack

THE STOCK EXCHANGE is set to recommend the closure of the Unlisted Securities Market, the UK junior market, in a consultative document to be issued in the next few weeks.

The action follows regulatory changes and declining interest by investors and companies in the USM, founded 12 years ago to help entrepreneurs gain access to UK equity markets.

Final approval for the recommendation must still be made by the stock exchange quotations committee and the board, chaired by Sir Andrew Hugh Smith, before a document is issued for public consultation.

Unless there are strong objections, that could lead to closure of the market to new issues by mid-1993, with a transition period of at least another year before all companies are moved to the main market or delisted.

The stock exchange launched a review of the USM early this year, writing to canvass views from all of the roughly 330 remaining companies on the market and many other practitioners.

The result is believed to have shown a clear consensus that many companies on the USM wanted to move off it, while others had little interest in joining, leaving questions about the quality of those that remained. It highlighted that the remaining regulatory distinctions between the main market and the USM have eroded and the difficulties in transferring from one to the other have reduced substantially. Many brokers are already advising USM applicants to comply with the exchange's full listing requirements.

The exchange refused to confirm the contents of the document yesterday but said: "We have undertaken an enormous amount of research on the USM. There have been many changes since it was introduced. We have to see whether there is still the need for a distinct regulatory regime."

Slow death, Page 13

Lamont reports may prompt reshuffle

By Ivo Dawnay, Political Correspondent

PRESSURE ON Mr John Major to conduct an early cabinet reshuffle grew yesterday after disclosures that Mr Norman Lamont, the chancellor, had received a £4,000 payment from the Treasury towards private legal costs last year.

The report that he received the sum in a case involving the eviction of a tenant was confirmed by the chancellor on Saturday night. The incident has led several senior Conservative backbenchers to question Mr Lamont's judgment in accepting public funds.

The prime minister's office rallied to the embattled chancellor, dismissing speculation that either Mr Lamont's resignation or a Cabinet reshuffle might be imminent. The Cabinet Office also released details from the normally confidential Guidelines for Permanent Secretaries that appeared to establish that the payment to Mr Lamont was in order and followed precedents.

Whitehall also rallied to Mr Lamont with senior Treasury officials insisting that the idea for the payment had been proposed by civil servants on the grounds that it met well-established criteria and that taking legal advice had been in the public interest to defend the chancellor's reputation.

But Labour is determined to raise the case in the Commons today by demanding a statement from Mr Lamont, justifying his decision to take taxpayers' money to meet a personal expense. Mrs Margaret Beckett, Labour's deputy leader, led the protests yesterday asking why the payment was kept secret if it was all in order.

The Commons public accounts committee is also expected to turn its attention to the payment, which met just part of a £23,000 legal bill, incurred in evicting a Ms Sara Dale from Mr Lamont's Notting Hill home. The balance was paid from Conservative party sources.

The new disclosures, following last week's leaking of Mr Lamont's unpaid credit card bill, fuel the belief among some Tory MPs that the chancellor is irredeemably "accident-prone." Many believe Mr Major has little alternative but to move him to a less prominent cabinet post in a reshuffle during the Christmas recess. Speculation on his likely successor has centred on Mr Kenneth Clarke, home secretary, Mr Michael Howard, environment secretary, and Mr John MacGregor, transport secretary.

Any change would attract close scrutiny from Conservative MPs for its bearing on the government's stance towards European policy and its thinking on sterling's future in relation to the exchange rate mechanism.

Some Tory loyalists came out firmly for the chancellor, blaming the media for launching a "witchhunt". Mr John Watts, chairman of the Commons' Treasury committee, said: "If this was approved within the Treasury I would think there is no question of impropriety."

Chancellor's image badly tarnished by disclosures

Talk about a successor is spreading, says Philip Stephens

In politics, image counts for as much as substance. The political damage inflicted on Mr Norman Lamont by the disclosure that the Treasury helped pay one of his personal legal bills has little to do with the merits of the argument.

As weekend reports about the chancellor's financial affairs dealt another public relations blow to the government, the view among senior Conservatives was that Mr Lamont's image had been badly tarnished.

The hardening consensus was that Mr John Major should move him from the Treasury in a New Year cabinet reshuffle. Mr Kenneth Clarke, home secretary, Mr John MacGregor, transport secretary and Mr Michael Howard, environment secretary, were being cited as front-runners for his job.

No-one was suggesting Mr Lamont had broken the rules by accepting the £4,500 payment towards a £23,000 legal bill incurred after he discovered 18 months ago that the tenant in Notting Hill house was a self-styled sex therapist.

The contribution had been approved by Treasury officials who had judged that that it matched expenses he had incurred directly as a result of his public office. The taxpayers' contribution covered the initial handling of press enquiries not the subsequent legal bill to evict the tenant.

According to senior Whitehall insiders, Mr Lamont had not asked for the money. Instead it had been offered after his officials judged that protecting the reputation of the chancellor was a legitimate public expense.

The payment had been approved both by the then permanent secretary Sir Peter Middleton and his successor Sir Terence Burns. An explanation was sent to the National Audit Office.

But whatever the proprieties, ministerial colleagues acknowledged yesterday Mr Lamont had made a serious political misjudgment. They also queried whether he should have accepted the generosity of the anonymous Conservative benefactors who paid the remainder of the legal costs.

The timing could not have been worse. Only a few days earlier, illegal disclosures about Mr Lamont's credit card record had indicated that the chancellor had been repeatedly behind in his repayments. The two events conveyed an image of a chancellor living beyond his means, a bon viveur charged with stewardship of the nation's finances but careless about his own.

In more tranquil times Mr Lamont might have been able to brush off the controversy. But two years of deepening economic gloom and the disintegration on September 16 of the government's economic strategy with sterling's withdrawal from the ERM have undermined his reputation.

Several colleagues believe Mr Lamont should have resigned in the aftermath of the ERM debacle on Black Wednesday. Many more now think Mr Major should move him in early January, installing a new chancellor before preparations begin in earnest for the March Budget.

Hitherto Mr Lamont's position has been underpinned by his support on the right of the party. A Euro-sceptic, the chancellor has made it clear he will be in no hurry to take sterling back into the ERM.

But there were signs at the weekend that his admirers were beginning to question whether with Mr Lamont could re-ignite confidence central to hopes of economic recovery.

There are signs of strain between Mr Major and Mr Lamont. Mr Lamont has told his allies he has an assurance from Mr Major that his position is secure. But their relationship – the most important in the government – is businesslike rather than friendly. Nor is Mr Lamont's reputation high within the Treasury. He is judged to lack the intellectual clout – and capacity for hard work – of some of his predecessors.

Some senior Conservatives were cautioning last night that Mr Major might yet seek to avoid a reshuffle which would anger Euro-sceptics.

To move Mr Clarke or Mr MacGregor – both prominent pro-Europeans – to the Treasury could increase the number of potential rebels. Mr Howard, the most junior candidate, shares Mr Lamont's instincts on Europe and the ERM. Mr Clarke, widely acknowledged to be the most powerful minister in the cabinet, has by far the strongest claim to the chancellorship.

Mr Major is a cautious politician but after the traumas of the past few months he and his government need above all to demonstrate they have re-established a grip. Putting Mr Clarke in No 11 Downing Street could do it.

Norman Lamont: reports dealt another blow to the government

Britain in brief

Repayment of debt still a priority

Consumers continued to make the repayment of debt a priority in the third quarter, and the number of people behind with repayments on consumer credit agreements has fallen compared with year ago.

Infolink, a credit information group, said the proportion of UK instalment credit accounts with payments fully up to date had increased to 90.4 per cent in the third quarter compared with 87.4 per cent last year. The south-east continued to account for a higher proportion of credit per head than any other region.

Benefits of devaluation

Hotels, catering and business services will be among the first UK industries to feel the benefits of devaluation, according to a report by Cambridge Econometrics, a research group.

Sterling's devaluation, expected to average 15 per cent next year compared with this year's rates, will contribute to overall export growth of over 6 per cent next year and in 1994. Devaluation will have a big impact on hotels and catering as prices of overseas holidays increase while the relative prices of UK holidays fall.

Coal setback

Further opposition has emerged among UK regional electricity companies to suggestions that the government should delay a planned increase of competition in the industry to make room for a bigger coal market. Seeboard, serving Kent, Surrey and Sussex, has told MPs inquiring into UK energy policy that deferring liberalisation would strengthen the position of the two main generators and frustrate customer expectations of increased choice of supplier.

Jobless outlook

The number of people unemployed and claiming benefit in the UK will continue to rise until at least the spring of 1994, according to a report by the Employment Institute, an independent research body.

By then, almost 3¼m people will be unemployed, compared with the current level of 2.8m. The report says the autumn economic statement failed to do more to help the unemployed, particularly those out of work for more than a year.

Green pressure

The Central Statistical Office is considering how to evaluate the harmful effects of human activities on the environment, in response to a United Nations proposal that member states should establish integrated economic and environmental national accounts. The CSO is examining how environmental statistics might be presented to clarify the interaction of the economy and natural resources.

BR fails targets

British Rail's InterCity sector is set to end the first year of the Passenger's Charter performance targets with all seven of its routes failing to meet the required levels either of punctuality or reliability.

Five routes are falling so far short of their targets that they are likely to trigger 5 per cent discounts for passengers renewing season tickets.

InterCity says the targets are unrealistic because they require all routes to perform to the same standards, regardless of whether they have been modernised.

Blood review

The government is to establish the National Blood Authority, which will plan and manage blood services in England to ensure high standards of safety, quality and cost-efficiency throughout the service.

At present, blood services in England are managed by three separate services. Mr Tom Sackville, junior health minister, said the decision would help ensure blood supplies remained among the safest in the world.

REPEAT CALL TO TENDER FOR THE HIGHEST BID
for the Purchase of the Assets of "VIEX Constructions and Equipment of Industrial Facilities", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "Viex Constructions and Equipment of Industrial Facilities", a company having its registered office in Athens, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990, announces a repeat call for tenders for the highest bid by submission of sealed binding offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was founded in 1980 and until 1991 (when it was first declared under liquidation in accordance with article 9 of Law 1386/1983) was involved in the study, construction and manufacturing of all kinds of industrial equipment and facilities, machinery, cars etc. The operation of the Company ceased in 1991. No personnel is currently employed. The Company assets include facilities built on a land of 36,019 m², in Mandra, Attica, facilities built on a land of 4,650 m² in Piraeus, and a 50% share on a land of 5,246 m² in Larissa. Assets also include machinery, mechanical equipment and trade marks.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect of the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit binding offers, not later than the 22nd December 1992, 11.00 a.m., to the Athens Notary Public George Stefanakos, address: 39 Academias str., Athens. tel: +30-1-645.04.22 +30-1-360.69.69 Fax: +30-1-645.04.23. Offers should expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shall be binding until the adjudication.
3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, for an amount of drs eighty million (80,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance with the provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authorised agent.
5. Envelopes containing the binding offers shall be unsealed by the above mentioned Notary Public in his office, on the 22nd December 1992, at 13.00 p.m.. Any party having duly submitted a binding offer shall be entitled to attend and sign the deed attesting the unsealing of the binding offers.
6. As highest bidder shall considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account which shall be calculated on the basis of a discount interest at an annual rate of 26% compounded quarterly or yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect to the participation and the transfer of the asset offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have no liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor shall the participants acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator's agent: Mr. Constantinos Christopoulos, address: 56, Panepistimiou str., Athens, tel.: +30-1-3632047 or 3231484, fax: +30-1-3217905.

REPEAT CALL TO TENDER FOR THE HIGHEST BID
for the Purchase of the Assets of "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE SA", of Athens, Greece.

"ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities" of 1, Skouleniou Street, Athens, Greece, in its capacity as Liquidator of "E.G.L. PAPER MANUFACTURING OF WESTERN GREECE SA", a company having its registered office in Patras, Greece (the "Company"), which is presently under the status of special liquidation according to the provisions of article 46a of Law 1892/1990, announces a repeat call for tenders for the highest bid by submission of sealed bindign offers for the purchase by public auction (the "Auction") of the assets of the Company, as a single whole.

BRIEF INFORMATION: The Company was founded in 1988 and was involved in the manufacturing of paper. The Company's operation ceased in 1991 and no personnel is currently employed.

The Company's assets include: (1) Industrial complex in Patras, comprising buildings of a total space of 32,614 m² and total bulk of 295,751 m³, built on land of 48,310 m², six paper making machines and other mechanical equipment and five plots of land of a total 5,484 m², (2) Industrial complex in Aegion, comprising building of a total space of 20,109 m² and total bulk of 200,693 m³, built on a land of 84,841 m², four paper making machines and other mechanical equipment and one plot of land of 363 m² and (3) other assets such as office furniture, equipment, trade marks etc.

OFFERING MEMORANDUM-FURTHER INFORMATION: Interested parties may obtain an Offering Memorandum in respect to the Company and the assets thereof and any further information, upon execution of a confidentiality agreement.

TERMS AND CONDITIONS OF THE AUCTION

1. The Auction shall take place in accordance with the provisions of article 46a of Law 1892/1990, the terms and conditions set forth herein and the "Terms and Conditions of Sale" contained in the Offering Memorandum. Such provisions and other terms and conditions shall apply irrespective of whether they are mentioned herein or not. Submission of binding offers shall mean acceptance of such provisions and other terms and conditions.
2. Binding Offers: For the participation in the Auction interested parties are hereby invited to submit bindign offers, not later than the 22nd December 1992, 11.00 a.m., to the Patras Notary Public Mrs Fani Faltseta-Anagnostidou, address: 137, Maizonos str., Patras, tel: +30-61-27.68.08. Offers shold expressly state the offered price and the detailed terms of payment (in cash or in instalments, mentioning the number of instalments, the dates thereof and the proposed annual interest rate). Binding offers submitted later than the prescribed time limit, as referred to hereinabove, shall neither be accepted nor considered. The offers shal be binding until the adjudication.
3. Letters of Guarantee. Binding offers must be accompanied by letters of guarantee, for an amount of drs sixty million (60,000,000), issued, in accordance with the draft form of letter of guarantee contained in the Offering Memorandum, by a bank legally operating in Greece, to be valid until the adjudication. Letters of guarantee shall be returned after the adjudication. In the event of non-compliance withthe provisions and other terms and conditions referred to in paragraph 1 hereof, the letters of guarantee shall be forfeited as a penalty.
4. Submissions: Binding offers together with the letters of guarantee shall be submitted in sealed envelopes. Submissions shall be made in person or through a duly authrised agent.
6. As highest bidder shall be considered the participant whose offer will be judged, by the 51% of the Company's creditors (the "Creditors"), in their absolute discretion, upon suggestion of the liquidator, to be in the best interests of all of the creditors of the Company. Mention is made that for the purposes of evaluating an offer proposed to be paid in instalments, the present value thereof shall be taken into account which shall be calculated on a basic of a discount interest at an annual rate of 26% compounded quarterly or yearly.
7. The liquidator shall give written notice to the highest bidder to appear on the date and place mentioned therein and execute the contract of sale in accordance with the terms contained in his binding offer and/or any other improved terms which may be suggested by the Creditors and agreed upon. Adjudication shall be deemed to take effect upon execution of the contract of sale.
8. All costs and expenses of any nature in respect of the participation and the transfer of the assets offered hereby for sale shall be exclusively borne by the participants and the purchaser respectively.
9. The liquidator and the Creditors shall have no liability nor obligation whatsoever towards the participants in relation to the evaluation of the offers or the appointment of the highest bidder or any decision to repeat or cancel the Auction or any decision whatsoever in connection with the proceedings and the making of the Auction. The liquidator and the notary shall have not liability for any legal or actual defects of the assets. Submission of binding offers shall not create any right for adjudication nor shall the participants acquire any right, power or claim from this invitation and/or their participation in the Auction against the liquidator and/or the Creditors for any reason whatsoever.
10. This invitation has been drafted in Greek and translated into English. In any event the Greek version shall prevail.

For obtaining the Offering Memorandum and for any further information please apply to the Liquidator of the Company: "ETHNIKI KEPHALEOU S.A. Administration of Assets and Liabilities", address: 1 Skouleniou street, 105 61 Athens, Greece, tel.: +30-1-323.14.84, fax: +30-1-321.79.05 (attn: Mr Peter P. Dracopoulos) or the Liquidator's agent in Patras: Mr Dimitrios Simatos, address: 43-45, 28th October str., Patras 26722, tel.: +30-61-422.004.

Adrian Furnham looks at why many managers are dissatisfied with the courses they attend

Low marks for training

Most big organisations attempt to provide some sort of training for their managers, either in-house or bought-in. Always done with good intention, it can be both extremely expensive and conspicuously ineffective.

Very frequently, the people who plan or pay for the training are disappointed because the results are not what they expected. Is this because their expectations are inappropriate, the training methods are flawed, or their managers are untrainable?

The first problem lies in determining the goals of management training. These may be general or specific; implicit or explicit; realistic or unrealistic; achievable or impossible; measurable or simply determined by gut-feel; trackable or not.

Most management training is about the acquisition of some skill – technical or interpersonal – though it could also be about insight and increasing sensitivity. As such, the training is often, but certainly not always, modestly successful. The question, however, remains why the skill is not retained between the classroom and the office.

Apart from skill acquisition, management training can offer other benefits. Courses allow people from different parts of the organisation to network, to compare and contrast and to establish lateral links. It may be an expensive way of bringing people together but it can be very effective, particularly if trainees are required to operate in competitive teams or undergo outward-bound-type dangers.

Courses can also help to change the culture of an organisation, either deliberately or not. Taught similar skills, or even concepts and terms, employees develop into a more homogenous body who, despite the fact that they have different functions and expertise, seek a common language.

Some courses may also be perceived as a perk for those attending, not because it is time away from the daily grind, but rather because they acquire some valuable and transportable skills. In this sense, management training facilitates career development and may be seen by employees as positive.

But most organisations have a training department, or bring in consultants, to make their staff more efficient and effective. A laudable aim but frequently unfulfilled. Why? The following are some of the reasons why many management training courses fail to deliver enough bang for the (frequently large) bucks.

● The goals of the course are unattainable. Some skills are easier to train than others; many are not acquired easily; most take lots of practice. What can one realistically expect from a three-, five- or even 14-day course? Consider how long it takes to master a language or to become fully computer literate. Short, sharp shock courses may get one started, but need extensive post-course back-up, if skills are to be retained.

● The teaching method is inappropriate. Not all skills can or should be taught in the same way. There should be a balance between instruction, practice and feedback. Not everybody likes to be taught in the same way. The preferred pace of instructions is also important. Most people who attend like to be entertained by a jovial, story-telling consultant. But do they learn anything?

● The skills are not practised. However steep the learning curve, unless the newly-acquired skills are continually practised they decline substantially afterwards.

● The skills are not necessary and inappropriate. Though the insight, language and skills acquired may be interesting, they are not strictly relevant to the trainee's job.

● The corporate culture discourages the use of skills. Although the organisation may be eager for employees to use a particular skill or way of behaving, the strong corporate norms inhibit or even punish it. The skills learned, then, are never used and it is the course that takes the blame. The skills were never really acquired on the course. True skill acquisition take effort and can be hard work. Some trainers prefer a rather old-fashioned chalk-and-talk routine where they are in control. Things can look easy from the participants' point of view and they may bluff themselves that they have accepted the skills, but in reality they have not.

● The skills are not easily transferable. The atmosphere and context within which one acquires a skill may be very different from that in which it is supposed to be practised. This makes skill transfer less probable and certainly less easy, and may account for the course "failure".

● The training tasks and situations are unlike the "real world" situation. The more similar the practice and the real situation the better the transfer of skills and vice versa. Are plush country hotels or well-equipped training centres similar to office environment or not?

Using high-trust, low-threat "learning environments", many middle-management courses focus on personal renewal and the development of skills. These courses play an important (even life-changing) role in their participants' personal and professional lives.

Then a typical scenario emerges. After the course the change participants return to their organisation. Because no one else from the organisation was on the course the ex-participant gets little reward for their experience.

Any notions about change and new ideas are knocked out of their minds by daily tasks and problems. As a result many participants report that frustration with their inability to affect their organisations any more than they were before they attended the course.

Training courses work in the sense that learning occurs and is retained under specific conditions. People must want to learn and attend the course: one volunteer is worth 10 conscripts.

People need reinforcement and rewards for skill acquisition, not being ignored, despised or punished. Practice of skills is imperative and needs to be distributed over time.

Personnel magazines are full of residential training course advertisements. They promise the earth and a fully changed individual – motivated, full of insight, skilled and enthusiastic.

Often the persona who returns after a training course is exhausted, over-fed and a bit bewildered. Training courses can change peoples' lives but not in ways always anticipated by those well-meaning employers who send them on the course.

The author is Professor of Psychology at University College London.

Old-timers who slow the pace of corporate change

By Andrew Baxter

Managing change is rightly identified as one of the key competitive issues for manufacturing industry in the 1990s, but are UK companies getting it right?

A survey by Ingersoll Engineers, the UK consultancy, suggests that manufacturers understand the importance of the issue, and know the key ingredients for success – but are not yet using all of them as effectively as they might.

Ingersoll's fourth annual survey, Commitment: Implementing the Vision*, comes a year after it accused operating managers of approaching change too timidly, perhaps for external reasons such as uncertainty over company ownership.

This year, Ingersoll looks at the internal workings of manufacturing industry and its approach to change, with the help of 200 managing directors or chief executives, operating directors, manufacturing directors or general managers.

The survey found broad agreement on the five success factors for managing change: vision, strategy, implementation, communications and behavioural issues. But it discovered that managers do not give the five factors equal importance.

While vision and strategy were seen as "very important" by managing directors, their commitment wanes as the process moves towards planning, measurement and implementation. This lack of commitment has two important effects.

First, responsibility for implementing change is delegated to people "learning on the job" – skilled line managers rather than "change managers". Only 55 per cent of change programmes use task forces or specialist resources, and then only in part, the survey finds.

Second, and worse still, implementing the programme is delegated typically to those groups perceived as most resistant to change – among middle managers, administrators and supervisors in particular.

Among these groups, says Brian Small, Ingersoll's managing director, will be found people who see themselves as "guardians" of the company, employees of long standing, who know the importance of the company to their family and their town, and do not want to see a new MD ruining everything – and then being promoted after three years.

But the "guardians" are not negative, says Small. They are simply cautious. The trouble is, they are not informed early enough about the change programme – in some 40 per cent of cases supervisors are not told until the start of implementation.

Winning the commitment seen as key to the five success factors, therefore, depends on better organisation to manage change. "Detailed planning and implementation is not yet a high enough priority nor a sufficiently developed skill while communication still leaves much to be desired," says Ingersoll.

And the evidence for that comes from the MDs themselves. The four most difficult problems in change programmes are seen as changing people's behaviour, keeping to schedule, dedicating adequate resources and motivating people. So Ingersoll has "six pointers" for MDs facing a change programme.

● Your help will be needed by the team throughout, not just with vision and strategy.
● Recognise that you will need to build sophisticated new project management skills.
● Communicate as a priority – as early as you can.
● Everybody will absorb the changes at their own rate. Everybody must "buy in" and become involved; encourage the dialogue that makes this happen.
● Before starting, be sure your implementers are fully committed.
● To win commitment, ensure you have a meticulous plan.

**Ingersoll Engineers, Bourton Hall, Rugby, Warwickshire, CV23 9SD.*

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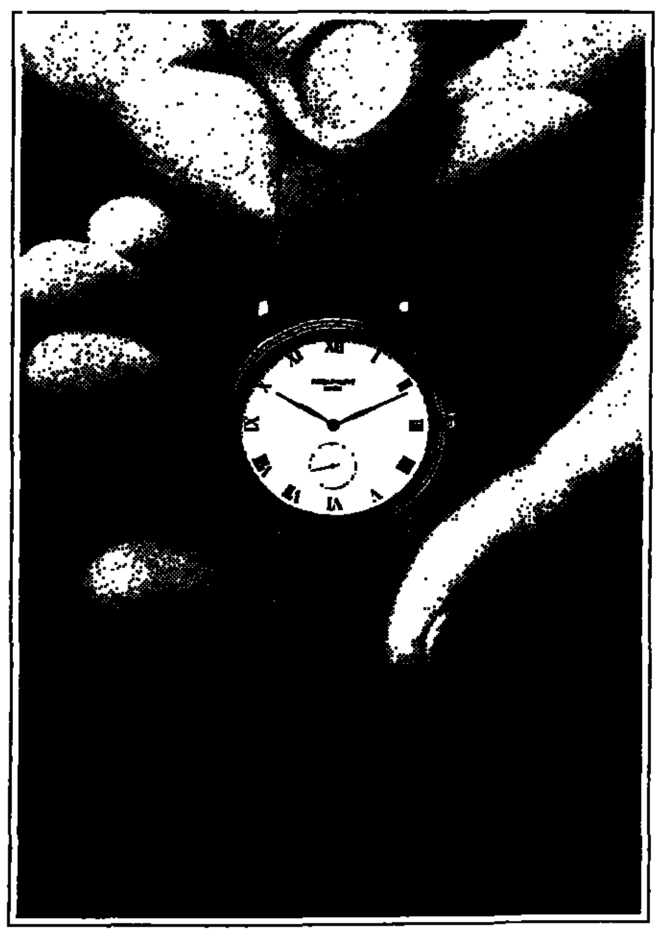

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CONSTRUCTION CONTRACTS

Facelift for the Old Lady

SZERELMEY COX, part of John Lelliott Group, has won an £850,000 contract from the Bank of England for the external refurbishment of its headquarters *(pictured above)* in Threadneedle Street, London EC2. The contract includes repairs and cleaning of the building's stone exterior and restoration of windows with respraying and waxing of all bronze work in preparation for the Bank's tercentenary celebrations in 1994.

Waste water treatment scheme

AMEC CIVIL ENGINEERING has won a £4m contract from Anglian Water to construct diaphragm wall waste water holding tanks, together with gravity sewers, pumping mains and buildings at Cromer, Sheringham and Overstrand on the north Norfolk coast.

Sewage discharging through the short sea outfalls is to be intercepted and delivered to a new treatment centre near Cromer. Treated effluent will then be discharged into the North Sea via a new long sea outfall.

The company will install a 4,300 cu metre storm waste water holding tank and construct a pumping station on the west promenade at Cromer. The tank will be located at the site of a Victorian shelter at the base of the cliff.

A sewer will be laid along the promenade in Cromer from the town centre to the new pumping station and storm tank, to intercept all sewage flows presently discharging onto the beach or the short sea outfall.

At Sheringham a 25 metre diameter, 3,076 cu metre storm sewage holding tank will be installed and a pumping station constructed. On completion of the cover slab, a building will be constructed to house pump control equipment, odour control and other facilities.

New sewers, generally up to 375mm diameter, will be constructed at Overstrand and will include construction of 1.5 metre diameter and 2.1 metre diameter on-line sewer storage tanks.

Caribbean hotel

KIER CARIBBEAN has started work on a £1.25m project to build central facilities at La Toc Hotel in St Lucia for the Sandals Hotel Group.

£30m Birmingham offices plan

TARMAC CONSTRUCTION will shortly sign a £30m design and build contract to develop the former Lewis's department store in Birmingham city centre into an office complex to be known as Temple Court. Overall, the project will cost a total of £70m.

Construction consultants, Wakemans, who are acting as project managers and quantity surveyors for the developers, Richardson Barberry Properties, have confirmed that agreement in principle has been reached with Tarmac.

The development is a joint venture between the two Black Country companies, Richardson Developments, of Oldbury, and Barberry House Properties, of Stourbridge.

It is intended that work on site will commence before Christmas in order to achieve completion by June 1994.

Temple Court will provide 225,000 sq ft of office accommodation above the ground floor, half of which is currently under offer to a leading financial services company. The remainder is to be converted and fitted out with eight county courts, with associated facilities, for purchase by the Lord Chancellor's department.

There will be speciality shopping at ground floor with the walk-through Minories being transformed into a spectacular enclosed atrium. Basement car parking will be created for about 200 cars.

The design of the scheme is by architects, Peter Hing and Jones, of Birmingham.

£9m workload for Conder Projects

CONDER PROJECTS, a part of the Miller Group, has been awarded contracts worth around £9m.

Heading the list is a £4.2m design and build contract from Amber Valley Borough for its new centralised civic accommodation at Ripley, Derbyshire. The contract will be completed by the end of April 1994.

In Glasgow, Conder Projects has been awarded a design and build contract for a 120-bed nursing home for St Andrews Homes, part of Vaux Group. The contract is valued at nearly £2.9m and will take 62 weeks to complete.

The company has also been awarded a contract to design and build a warehouse at Bracknell for Thames Water. The contract, worth £1.9m, involves the design and construction of a fully serviced distribution warehouse with associated offices on a mezzanine level.

Fitting out headquarters in London

A £10m management contract has been awarded to the P&O company **BOVIS CONSTRUCTION** to undertake the fit out of a new headquarters building for the Chemical Bank at 125 London Wall, London EC2.

Work will begin next month, with completion due in August 1993, ready for phased occupation by 800 staff from existing London offices.

Fitting out the 165,000 sq ft of floor space on six upper and two basement floors involves internal partitioning, ceilings, carpeting, decoration, lighting and air conditioning.

PEOPLE

Sir Archibald Foster retires from Esso

Sir Archibald Forster (left) is to retire as chairman and chief executive of oil company Esso next February, when he reaches the age of 65.

His successor – subject to election by the Esso board – is expected to be Keith Taylor, currently managing director of Esso Exploration and Production.

Sir Archibald was described by one Esso insider as a "thoroughly professional oilman, who was probably never more comfortable than when he was out on the ground, talking to employees".

He has been in the top job since 1979, and so has guided the company through the peak of North Sea production, the oil price crash of 1986, and the transition of the North Sea into a mature oil and gas province.

He is said to have been instrumental in persuading Geoffrey Howe, then chancellor of the exchequer, to ease, in the 1983 Budget, what was considered to be the "penal" fiscal regime under which the UK oil industry was operating. He will also be remembered for the skilful way in which he put Esso's case to the Monopolies and Mergers Commission inquiry into petrol pricing in 1989, which concluded that the petrol market was fully competitive.

He joined Esso in 1951 at the Fawley refinery in Hampshire, and became refinery manager at Milford Haven, Wales, before returning to Fawley as refinery manager in 1964. After a spell as logistics director of Esso UK he left for the US where he filled a variety of posts at Exxon, the parent corporation.

He returned to London as vice-president of Esso Europe in 1975, and became managing director of Esso UK three years later. Sir Archibald is a former president of the Institute of Chemical Engineers and of the Institute of Petroleum. He is a non-executive director of Midland Bank and, recently, of Trafalgar House.

Biwater ripples

■ Kenneth Gardener, recently appointed chairman of Bournemouth and West Hampshire Water companies, has been appointed chairman of East Worcester, the third supply company in the stable of privately-owned water contractor Biwater.

Consequently, Anthony Marris relinquishes the chairmanship he has held since May 1991 and becomes deputy chairman, replacing Martin Copp who has resigned. Marris has been on the board since 1985, before Biwater took a stake in East Worcester.

At the same time, Colin Ryder, who has been chief executive since January 1991 but did not previously have a seat on the board, has been made managing director.

Biwater has effected the same change at Bournemouth and West Hampshire; hence Tony Cooke is also made managing director and goes on the board of the two companies, which are to be merged.

The appointments follow the three companies' recent conversion from statutory to PLC status.

Robin Cadbury, a director since 1975, has retired, to be replaced by Douglas Benfield, who is a main board director of Biwater and chairman of the supply subsidiary, Biwater Supply (Holdings).

Senior jobs

■ Senior Engineering Group has announced the appointments of Kevin Gamble and Nick Turnbull as chief executives of its construction services and engineering products business areas respectively.

The appointments take effect on December 1. They complete the top-level line-up at Senior following the appointment in May of Don McFarlane as chairman and John Bell as group chief executive, and fill the gap left by the departure of David Cotterill to head Renold.

Turnbull, a divisional managing director at Bullough, becomes head of the business area formerly headed by Bell. Gamble joins Senior from the GEC subsidiary Express Lifts, where he is managing director. Both will be joining the Senior board.

Senior's announcement yesterday that it is pulling out of the mining equipment business leaves it with three core business areas – engineering products, thermal engineering and construction services.

Lord Stevens of Ludgate has recruited some fresh blood to his increasingly elderly board at United Newspapers. Sir Eric Pountain (above), chairman of Tarmac, has been appointed a non-executive director with immediate effect.

Sir Eric, 59, who has headed Tarmac since 1979, is the first new non-executive appointment at United Newspapers in six years. He has been reducing his workload at Tarmac in recent months and becomes non-executive chairman at the end of the year. He has been chairman of James Beattie, the Wolverhampton department store group, since 1987 and chairman of IMI, a Midlands industrial group, since 1989.

Lord Stevens, chairman of United Newspapers, said at the company's annual meeting earlier this year that he was seeking new non-executive directors. Lord Ampthill, 71, a former general manager of Fortnum & Mason, and deputy speaker in the House of Lords, has been on the United board for more than a decade. Sir Derek Palmar, 73, a former chairman of Bass, has been on the board since 1986.

■ Alan Chant, a former marketing director of Seagram UK, has been appointed marketing director of SECURIGUARD SERVICES.

■ Gordon McKelvie has been appointed company secretary of BURN STEWART DISTILLERS.

■ Tony Phillips, recently appointed md of Bibby's capital equipment division which was formed on the acquisition of Finanzauto in Spain and STET in Portugal, has been appointed to the board of J BIBBY & SONS.

■ Jeff Broomfield, formerly consumer sales director of Dairy Crest Foods, has been appointed md of LEISURE DRINKS.

Constructive careers

■ Andrew Mackenzie, 52, has been appointed group chief executive of BRYANT GROUP, the Midlands-based construction company, which has bucked the recession better than most. Mackenzie, who joined Bryant as a trainee in 1957, helped spearhead the family building company's move into housebuilding in the South of England in the mid-1970s and was made group managing director in 1988.

■ Brian Elkins, formerly operations director, has been appointed marketing and commercial director of SNAMPROGETTI; he is succeeded by David Lloyd, formerly director of projects.

■ John Richards, formerly md of Hassal Homes (Ridings), has been appointed construction director of HARRISON.

■ Geoff Topping, md of TAYLOR WOODROW CONSTRUCTION HOLDINGS, has been appointed chairman on the retirement of Bob Smith; John McKenna, deputy md, becomes md.

■ Ian Lumsden has been appointed a director of JOHN LELLIOTT Construction.

■ Dennis Reaston has been promoted to finance director of SHEPHERD BUILDING GROUP.

W H Y T H Y ?

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Architecture/**Colin Amery**

A foolish plan to reinvent Windsor

Watching the flames at Windsor was a numbing experience and only the gradual passage of time has put the disaster into some perspective. The losses are, in architectural terms, immense. The stroke of luck, if one can call it that, was that important works of art had been moved from some of the rooms in preparation for the next stage of a comprehensive rewiring programme. Six major rooms have been destroyed or badly damaged with roofs and ceilings suffering the most.

The fire began in the private chapel, a relatively modest room that was refurbished by Sir Hugh Casson in a wave of modernisation early in the Queen's reign. Will this be the first room in Britain to be restored in the Casson style? The Octagon Room, close to the chapel, was also damaged but the serious losses are the enormous St. George's Hall, the Grand Reception Room, the State Dining Room, and the Crimson Drawing Room. All these rooms represent part of the complete transformation of the castle by King George IV in the 1820s. There is no doubt that George IV, both as King and Prince Regent, was the finest royal patron of the arts since King Charles I.

Windsor Castle was extensively altered by Charles II, but by the 19th century it had become unsuitable for the residence of the sovereign of a major world power. In 1824, the House of Commons granted the not inconsiderable sum of £150,000 for improvements at Windsor. Sir Charles Long, the King's principal artistic adviser, organised an architectural competition. He invited three architects from the Office of Works – Sir John Soane, Sir Robert Smirke and John Nash – to compete with one outsider Jeffry Wyatt (who was to rename himself when he was knighted, Sir Jeffry Wyatville). After long consultations with the King, Charles Long produced a fascinating and extremely detailed brief. Wyatville followed the brief very precisely and won the competition.

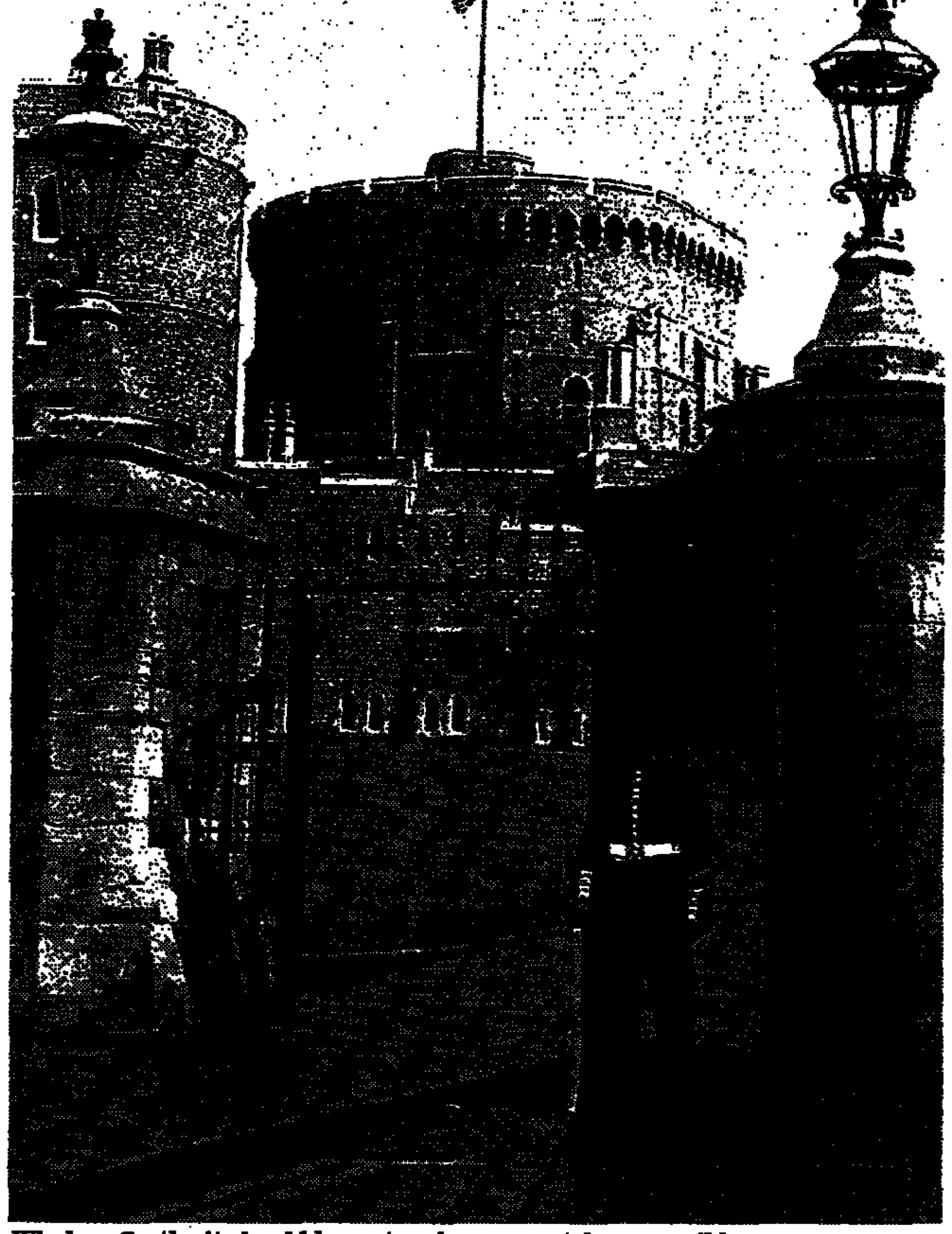
Wyatville's ambition at Windsor was to create in the Upper Ward a series of State Apartments on the north side with a new grand entrance, the George IV gateway, on the south side. An important part of the brief and of Wyatville's plan was to improve and romanticise the castle's silhouette. This included raising the height of the Round Tower by 33 feet to make it the dominant element in the new group of battlemented and machicolated towers. As an exercise in the picturesque, Wyatville and his patron achieved a remarkable success; seen from the Great Park, or even from the M4 motorway, the castle makes one of Europe's most romantic skylines.

I am amazed that the Royal Institute of British Architects has reacted to the fire at Windsor not with a scholarly and thoughtful response based on historical knowledge, but with a Pavlovian reaction urging: "an architectural competition be held for the rebuilding of Windsor Castle. An architectural competition would be a far more positive assertion of tradition than the slavish recreation of Victorian pastiche. A contemporary rebuilding could also provide an unrivalled opportunity to combine new state rooms with acceptable modern galleries in which the Queen's art collection could be put on permanent, and safe, public display. This really would be worth every penny of the public money that the rebuilding will cost." The RIBA's statement goes on to urge the Queen to take advice from the president of the Institute and Sir Hugh Casson.

Apart from the breathtaking ignorance that tries to suggest that good Regency architecture is Victorian pastiche, I wonder whether any member of the RIBA has recently been to Windsor or taken the slightest interest in English artistic and architectural history. The facts are that the walls of these important state rooms remain and there is sufficient plasterwork in the Grand Reception Room, for example – one of the finest neo-Rococo interiors in the world – for the only solution to be painstaking and accurate restoration. There is plenty of archival evidence of how these rooms looked and only a committee of historians and the finest conservation architects can ensure that a decent job of restoration is carried out. I can only suppose that the Institutional architects did not notice that most of the furniture, tapestries and pictures that belonged in these rooms was carefully rescued and is of a quality that deserves appropriate reinstatement in properly restored rooms.

In Vienna last Friday another architectural loss was sustained when a part of the Hofburg Imperial palace was badly damaged by fire. The main loss seems to have been the great Redoutensaal built by the Empress Maria Theresa and used for international conferences. The reaction of the Austrian Chancellor Franz Vranitsky was the appropriate one. "The whole area was recently renovated and was one of the prominent jewels of our city. We'll just have to renovate it again."

The same sentiments should apply to Windsor Castle. There is an aesthetic consistency in the Gothic progression of rooms from the Great Staircase (later altered by Salvin) through the great vaulted Guard Chamber with its military decoration and tributes to Marlborough, Wellington and Nelson to St. George's Hall and the State Apartments. The dining room, and the vaulted octagon room which serves as an ante-room in the Brunswick tower (both badly damaged) continue the Gothic theme. Pugin's sideboard may have to be replaced and the challenge will be to find craftsmen to recreate that sense of Gothic chivalry and romance that is so important a part of the Windsor style. No amount of prevarication about cost and stylistic treatment should be allowed to cloud the fact that the only right course for Windsor Castle is complete and accurate reconstruction.



Windsor Castle: it should be restored as accurately as possible

Opera/**Richard Fairman**

Madama Butterfly

The tragedy of sexual exploitation by Western travellers to the East seems to be played out afresh for each generation. When television regularly beams to our homes pictures of teenagers in prostitution, these days in Thailand or the Philippines, it is hardly necessary to update the story of *Madama Butterfly* as though in search of some hidden relevance.

Undeterred, the present Royal Opera production updates it anyway. (The original producer, Nuria Espert, introduced costumes that suggest the period around the Second World War.) Dressed in flimsy, flower-patterned trousers, Yoko Watanabe's Madame Butterfly could easily have stepped out of a television documentary, for she looks the very picture of the modern Eastern Miss – and that despite 10 years service in this taxing role.

The marvel of Watanabe's performance is that it still looks so spontaneous. Every expression tells; every movement affords another intimate insight into her naïve teenage bride of a Butterfly. The moment when she trustingly kisses Pinkerton's letter brings a lump to the throat. When she hears the guns announce his ship in the harbour, years of pent-up hopes and disappointments flash across her face.

The whole of the final scene is most movingly played and by that point it seems ungenerous to complain that the voice is no longer as freely produced and beautiful as one would like. In vocal terms Puccini gave sopranos a killer of a part to get through in this opera. Miss Watanabe's strength is that she has learned, over the many times that she must have sung it, how to save her stamina to make the maximum effect when it counts.

That is fortunate, as the present revival rests entirely on her delicate shoulders. Arthur Davies, as Pinkerton, sounds less Italianate in Puccini here than he did when he was singing down the road at the Coliseum. Malcolm Donnelly's broad range of virtues makes his Royal Opera debut deserved, but his Sharpless lacks individuality. There are a few bright spots among the supporting cast, including John Dobson's bookish Goro and Yvonne Howard as a Kate Pinkerton with presence – but not many.

They all have to struggle against orchestral playing too loud for the size of the voices. Too fast, as well: Sian Edwards cuts 10 minutes off the announced running time. If the idea was to stress the modern elements of Puccini's style by bringing out the music's angular rhythms and percussive drive, then it meets with only limited success. Those glowing Puccini climaxes which should send a shiver down the spine fail to arrive.

Altogether, there is little warmth here. The combination of harsh orchestral sounds and the production's grimy setting, which has Butterfly living in a crowded 20th-century tenement block far from the traditional flower-covered hills overlooking Nagasaki, has put the opera down in a hostile milieu. To that extent the performance is, at least, all of a piece.

Madama Butterfly
Covent Garden

Alastair Muir

Yoko Watanabe

Concert/**Richard Fairman**

Sibelius symphony cycle

If the music of the North is an art borne of isolation in defiance of the hostile elements of wind and cold, then Sibelius is its prime creator. No other composer from the Northernmost reaches of Europe has equalled his standing and there must be some measure of satisfaction in Britain that his early international reputation was to a large degree won here.

The "Tender is the North" festival, devoted to Scandinavian arts, conveniently stretches its boundaries to include Finland as well. It is difficult to imagine the musical side of it without Sibelius. The Finnish composer's seven symphonies are the most significant single corpus of work to have come from the North and a complete cycle of them, by Colin Davis and the London Symphony Orchestra, is a major feature of the festival.

The best of the symphonies are concise in form, concentrated in thought. Yet all the vast expanses of Finland's forests and lakes seem to be there. Thomas Beecham, who was one of the foremost early interpreters of Sibelius's music, grasped this essence of their style as if it was second nature and was able to inflect every smallest detail without taking away from the broader design. Davis is more of a landscape Sibelian, although that should not be taken to mean that his performances lack intensity.

In the opening concert of the cycle at the Barbican on Thursday, both the symphonies on the programme – Nos 3 and 1 in that order – had drive. Davis really digs into the rhythms, giving us a tough and determined Sibelius, unafraid of underlining the music emphatically. Even the slighter Third Symphony had a weightier mass than usual, while the skies in both loomed dark and lowering – a commendably atmospheric start to the cycle, aided by above average playing from the LSO.

The most intimate contact with Sibelius, however, was made elsewhere. In between the symphonies Karita Mattila sang a beautiful and heartfelt performance of *Luonnotar*. This tone-poem for soprano and orchestra is ostensibly about the world's creation, as viewed by the Finnish national epic (the *Kalevala*), but in it Sibelius is surely plumbing the depths of his inspiration to say what it is that made him and his music the very voice of Finland.

In a festival of this kind the lesser-known pieces are always the most valuable. Another concert two days earlier had thrown up a couple of interesting smaller items. The Clarinet Concerto by the Danish Carl Nielsen is never music of place in the way that makes Sibelius so easy to visualise in terms of nationality, climate, temperament, but its neo-classical manners can be pleasing enough if played with as much spirit as here by Emma Johnson.

Paavo Berglund and the English Chamber Orchestra had also opened the concert with a recent (1986) piece by Aulis Sallinen, his Chamber Music III, sub-titled *The Nocturnal Dances of Don Juanquixote*. This is a fairly light entertainment for cello solo, taken by Arto Noras, and string orchestra, in which various places mingle: American jazz, Spanish dances, chilly Northern textures. A Finnish composer in the late 20th century is an international figure.

Concerts sponsored by Union Bank of Finland and Ernst & Young

Theatre/**Alastair Macaulay**

The Rape of Tamar

Tirso de Molina (c.1582-1648) is best known as the author who put Don Juan into the European consciousness. A Mercedarian monk, he was – with Lope de Vega and Calderón – one of the three great dramatists of the Spanish Golden Age, and an extraordinary artist. London is lucky that in recent years these men's plays have become more widely performed here.

On the one hand, Tirso had a remarkably light, fresh, direct and funny touch. On the other, he was a serious moralist who believed that there is a point at which God's mercy stops and beyond which sin is punished. Both sides are evident in *The Rape of Tamar* – Paul Whitworth's new translation of *La Venganza de Tamar* (probably written between 1621 and 1624).

The Biblical King David's eldest son Amnon conceives an incestuous passion for Tamar, David's daughter by another marriage. Eventually, after discovering that she is in love with someone else, he rapes her. Tamar appeals to David and to her full brother, Absalom, to avenge her dishonour. David cannot bring himself to bring proper punishment (death) on his beloved Amnon. It is Absalom – partly out of ambition for the throne – who takes Amnon's life; and it is this death (with its intimations of Absalom's own impending death) that finally devastates David.

Though the word "rape" in the English title is eyecatching, Tirso's real theme was revenge (as for so many early 17th-century dramatists). As he tells the story (often with a light touch), he fills it with suspense – fills it also with acute, ambiguous, multi-faceted moral perceptions. He does not spell out every irony; he simply shows the appalling difference between David's evasiveness about Amnon's crime and his grief (with nary a thought of Tamar) at Amnon's death. And, again without commenting, he shows how much David and his sons are preoccupied by power, ambition and self-gratification. This is both a revenge tragedy and a history play.

The play's most shocking (and psychologically most acute) scene occurs after the rape, when Amnon suddenly reviles Tamar as venomous trash. Later, Tirso makes much of a quasi-Shakespearian pastoral scene, in which the veiled Tamar wanders, wretched, among happy shepherds. After a nicely sibylline scene in which a countrywoman gives ambiguous prophecies to each of David's four sons, Amnon tries to seduce Tamar until he realises who she is. He has no sooner unveiled her than he tries – in vain – to re-veil her.

Whitworth's translation is admirably fresh and transparent. He tries to keep parlance within rhyming quatrameters, but is prepared to sacrifice metre or rhyme to clarity. Only in a few yuppified quips ("Two days in that boneshaker make your buttocks turn to salmon steak") does he draw attention to himself. He also directs this production; and in this, too, clarity is his hallmark, with one or two ultra-modern blots. Tim Reed's designs catch nicely the way Tirso presents his Hebrew theme through a Spanish baroque filter. The cast of 12 (several of them playing more roles than one) play with unfussed simplicity and urgency.

It is hard to take Patrick Wilde's Amnon, with his non-designer stubble, poor stance, and unpolished diction, as a crown prince – but his delivery is so natural that it is easy always to believe, if not in the character, then in him. Morris Perry's account of King David has just the right unforced authority and near-cloying paternal solicitude. His account of his first scene – starting with a very difficult piece of grand rhetoric – is the only over-florid part of his or anyone's performance.

Most remarkable is Jules Melvin as Tamar – a kitten, then a tiger; a princess, then a young crone. Though there are a few immaturities in her performance, this is a young actress who speaks verse with a properly supported voice (rare), naturally communicative force (rarer), and surprising effects of phrasing. As Jean de Reszke used to say, never take a breath when they expect you to.

At the Lyric Studio, Hammersmith, until December 12

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERTS

Schauspielhaus Wed: New Bach Collegium plays Bach concertos (817 3364). Thurs: James Levine conducts Vienna Philharmonic Orchestra in works by Brahms, Schoenberg and Debussy (301 9999). Fri: Udo Zimmermann conducts Berlin Radio Orchestra in works by Lutoslawski, Mahler and others (2090 2156). Sat, Sun afternoon, next Mon, Tues: Michael Schoenwandt conducts Berlin Symphony Orchestra in works by Britten, Bartók and Dvořák, with piano soloist Deszo Ranki (2090 2261)

Philharmonie Tomorrow: Lothar Zagrosek conducts Berlin Radio Symphony Orchestra in Goldschmidt's Der gewaltige Hahnrei. Thurs: Christoph Eschenbach conducts Houston Symphony Orchestra in works by Bartók and Mahler, with piano soloist Tzimon Barto. Sat: Hansjöorg Schellenberger conducts Haydn Ensemble in symphonies and concertos by the Haydn family. Sun: Yehudi Menuhin conducts Sinfonia Varsovia. Next Mon: Dresden Kreuzchor. Next Tues: Midori. Dec 9, 10, 13, 14, 15, 19, 20, 21: Maurizio Pollini plays Beethoven piano concertos in three Berlin Philharmonic programmes conducted by Abbado (2548 8232)

● Sun at Metropol: David Sanborn (313 4554). Next Mon at Deutschlandhalle: James Brown (6959 5959)

OPERA/DANCE

Staatsoper unter den Linden The main event this week is the premiere on Sat of a new production of Busoni's Die Brautwahl, conducted by Daniel Barenboim (also Dec 10, 12, 26, 28). Tonight's performance is John Cranko's ballet The Taming of the Shrew (also Fri). Wed: Die Zauberflöte. Thurs: Il barbiere di Siviglia. Sun: Graun's Cleopatra e Cesare (2004 762)

Deutsche Oper Tonight's performance, hosted by Anneliese Rothenberger, is a concert featuring prizewinners of Germany's national song competition. Tomorrow: Rigoletto. Thurs, Fri: Jesus Lopez-Cobos conducts Berlioz's Romeo et Juliette. Sat: Béjart's Ring Round the Ring. Sun: Tannhäuser with René Kollo and Anne Evans (3410 249)

Komische Oper Tonight: Le nozze di Figaro. Tomorrow: Entführung. Wed: Swan Lake. Thurs: Bartered Bride. Fri: Rigoletto. Sat and Sun: Prokofiev's ballet Cinderella (2292 555)

THEATRE

Bremen Shakespeare Company winds up its residency at the Freie Volksbühne with six different Shakespeare productions, daily till Sun (881 3742). Volksbühne am Rosa Luxemburg Platz has The Plague, an adaptation of Camus by Jeremy Weller (282 8978). The Schaubühne has Botho Strauss' Schlusschor and, at Probebühne Cuvrystrasse, a new production of Jacob Lenz's play Catharina von Siena. Alexander Vampilov's 1972 play Last Summer in Chulimsk, about the stagnation of Soviet life under Brezhnev, opens on Dec 16 (890023). Deutsches Theater is preparing new productions of Sam Shepard's 1980 play True West, opening Dec 10, and Ostrovsky's The Forest, opening Dec 22 (2871 225)

GENEVA

MUSIC

This year's Christmas show at the Grand Théâtre is a French-language version of Cole Porter's musical Kiss Me Kate, daily Dec 17-31 except Dec 24 and 25 (311 2311). Jesus Lopez-Cobos conducts Lausanne Chamber Orchestra at Victoria Hall on Dec 9, and Armin Jordan conducts Orchestre de la Suisse Romande on Dec 16 (311 2511). Prague Symphony Orchestra and Chorus give a concert on Dec 10 (310 6611)

THEATRE

Farces, a theatre and dance piece based on Molière, opens at the Comédie tomorrow and runs till Dec 19 (320 5001). Goldoni's The Rustics, directed by Georges Wod and designed by Ezio Frigerio, opens at Théâtre de Carouge on Dec 15, running till Jan 24 except the weeks of Christmas and New Year (343 4343)

MILAN

The 1992-3 opera season at La Scala opens next Mon with a new production of Don Carlo conducted by Riccardo Muti and staged by Franco Zeffirelli, with a cast led by Luciano Pavarotti, Samuel Ramey and Daniela Dessi (further performances, with cast changes, on Dec 11, 13, 15, 17, 19, 22, Jan 5, 7, 9, 12, 14). Rudolf Nureyev's Nutcracker production is revived on Dec 12 for 13 performances till Jan 13 (7200 3744)

NEW YORK

OPERA/DANCE

Metropolitan Opera Tonight and Thurs: La bohème with Gabriela Benackova, Nancy Gustafson and Luis Lima. Tomorrow and Sat afternoon: L'elisir d'amore with Kathleen Battle and Francisco Araiza. Wed and Sat evening: Lucia di Lammermoor with June Anderson. Fri and next Mon: Seiji Ozawa conducts Evgeny Onegin, with Thomas Hampson, Neil Rosenshein and Mirella Freni (362 6000)

State Theater New York City Ballet gives performances of Balanchine's production of The Nutcracker daily except Mon till Jan 3. No performance on Dec 17, 24, 25, Jan 1 (870 5570)

Joyce Theater Ballet Hispanico, directed by Tina Ramirez, opens a two-week season tomorrow. There will be one world premiere choreographed by William Forsythe and the New York premiere of El Nuevo Mundo by Garcia Daniele to music by Paco de Lucia (242 0800). Dec 9-Jan 3 at City Center: Alvin Ailey American Dance Theater (581 1212)

CONCERTS

Avery Fisher Hall Tomorrow: Kurt Masur conducts New York Philharmonic Orchestra in works by Liszt, Brahms, Tchaikovsky and Beethoven. Thurs, Fri afternoon, Sat: Masur conducts works by Brahms, Diamond and Beethoven. Sun afternoon: Mstislav Rostropovich conducts National Symphony Orchestra in works by Sallinen, Tchaikovsky and Sibelius, with violin soloist Vladimir Spivakov. Next Mon: New York Philharmonic 150th anniversary concert, with Kurt Masur, Pierre Boulez and Zubin Mehta. Dec 9: Christopher Hogwood conducts Messiah (875 5030). Dec 10 in Alice Tully Hall: Tallis Scholars. Dec 13: Kathleen Battle (721 6500)

Carnegie Hall Wed: Chung Trio. Thurs: tribute to Miles Davis featuring musicians from different eras of his musical development. Dec 11: Mitsuko Uchida (247 7800)

VIENNA

OPERA

Staatsoper Tonight and Wed: Nutcracker. Tomorrow and next Mon: Katya Kabanova. Thurs: Maria Stuarda with Katia Ricciarelli and Alicia Nafé. Fri: Tosca. Sat: Capriccio. Dec 19: first night of new production of Die Walküre with Domingo and Behrens (51444 2960)

CONCERTS

Musikverein Tomorrow: Virtuosi di Praga in choral music by Haydn and Zelenka. Wed: Beethoven programme with Brno State Philharmonic Orchestra and Tokyo Philharmonic Chorus. Thurs: Polish Chamber Philharmonic plays Prokofiev and Tchaikovsky. Sun: Nikolaus Harnoncourt conducts Concentus Musicus and Arnold Schoenberg Chorus in sacred music by Bach and Vivaldi. Next Mon: Houston Symphony Orchestra. Dec 20, 21: Barenboim conducts Vienna Philharmonic. Dec 22: Barenboim plays Schubert sonatas (505 8190)

Konzerthaus Wed: Cecilia Bartoli sings Mozart with Vienna Chamber Orchestra. Fri: Pinchas Steinberg conducts Austrian Radio Symphony Orchestra and Chorus in works by Respighi and Rossini. Sat afternoon and Sun morning: Heinz Holliger conducts Vienna Chamber Orchestra in works by Haydn, Spohr and Schubert. Sun and Mon evening: Georges Prêtre conducts Vienna Symphony Orechestra in works by Mozart and Bruckner. Dec 10: Frans Brüggen conducts Mendelssohn. Dec 11: Melvyn Tan piano recital (712 1211)

THEATRE

The Burgtheater repertory includes Claus Peymann's new production of Goldoni's The Impresario of Smyrna and Shakespeare's Macbeth. Kleist's Das Käthchen von Heilbronn, directed by Hans Neuenfels, opens on Dec 12 (51444 2218)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

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Monday November 30 1992

Russia before the Congress

THE CONGRESS of People's Deputies which meets in Moscow this week is a leftover from Mr Mikhail Gorbachev's perestroika, which demolished the old communist system but failed to erect a new one. Many of its members represent the interests of the old, centralised economy, which made the Soviet Union a deformed military superpower but never delivered prosperity, because it was not designed to do so.

Before the Congress these men tried to pursuade President Boris Yeltsin that the monster designed to make the Soviet Union militarily powerful can be re-targetted, to make the Russian successor state prosperous and efficient. Powerful men such as Mr Arkady Volsky, leader of the industrialists' association, have sought to weaken the market reformers in the government led by Mr Yegor Gaidar. They have demanded the resignation of reformist ministers, accusing them of trying to foist an inappropriate western model onto Russia. They have also pushed for a further slackening of financial and other restraints on the military-industrial complex and an economic strategy which would make state enterprises the engine of modernisation.

Recent events have already provided indications of what such a policy would mean. For a start, it means a new effort to provide work for military factories by a determined export drive. Russia is offering tanks, submarines, aircraft carriers, aircraft and arms and equipment of all descriptions, in competition not only with western manufacturers but also with arms plants in Ukraine and other former Soviet states.

It also means a new emphasis on "self-reliance", as in the decision to place a multi-billion dollar contract for the development of the giant Shtokman gas field in the Barents Sea with a consortium of Russian defence industries, and the expected decision to go ahead with the Udokan copper project. This would provide thousands of jobs, but is never likely to provide an economic return.

Given Russia's shortage of hard currency, and the spectre of mass unemployment, it is understandable that the managers should wish to keep their empires together by mammoth projects like these. That is what they were designed for. But the Soviet Union paid highly for the obsessive concentration of resources on a few prestige projects, like the White Sea canal under Stalin or the BAM railway through the Siberian wilderness under Brezhnev.

Russia needs a new type of economy, responsive to market forces and the demands of ordinary people for the "thousand and one tiny things" which central planning could never deliver, from a decent shirt to tasty foods and good medicines. That is the kind of economy being created in post-communist central europe. It is the kind of economy which Mr Gaidar and his government have also been striving to create.

Mr Gaidar agrees that Russia should produce more and better equipment for the oil and gas industry and many other products designed to improve Russian efficiency and satisfy long-neglected needs, where necessary with the help of western finance and investment.

A painful compromise has been worked on between the government and Civic Union conservatives. But Mr Gaidar is right to insist that four basic principles be retained. These are: no return to a state distribution system; tight control over the ballooning money supply; no wage or price freeze; and no artificially low exchange rates.

Mr Yeltsin dismissed Mr Gorbachev's efforts to merge the contradictory plans for reform of market-oriented economists and the industrial bureaucracy as a "marriage between a hedgehog and a snake".

He should remember those words and insist that Russia rebuild its economy along market lines, with state industry playing its part within these disciplines.

Vantage Spring

MR DICK SPRING, and the Irish Labour party which he leads, surprised even themselves in the general election last week. The party more than doubled its share of the popular vote and its share of the seats in the Dail. Even though Labour remains very much the third party, and Ireland will continue to have to be governed by a coalition, Mr Spring has pulled off a remarkable achievement. He is entitled to say that he represents the only party that is on the way up.

Labour's strong showing is one of a series of events that suggests that the old mould of Irish politics is being cracked, if not broken. Two years ago the country elected a woman and a non-traditionalist as president. Seen from abroad, the two leading parties, Fianna Fail and Fine Gael, have never looked as different from each other as they pretend at home. There was an attempt at breaking the mould when the Progressive Democrats (PD) left the mainstream to set up on their own, but the new party never quite took off: it became an adjunct to the existing system. Last week's general election need never have come about, had it not been for quarrels between politicians of the old school, which includes some of the PDs.

Nevertheless, in spite of the political shortcomings, Ireland continues to adapt. Anglo-Irish relations have improved immeasurably, despite – and perhaps partly because of – the problems in the north. Membership of the European Community has increased Ireland's self-confidence no end. The country still has formidable economic difficulties, many of which stem from its peripheral geographical position. There is the more immediate question of whether the punt can maintain its position in the exchange rate mechanism without realignment.

The election results suggest that Ireland would welcome a new voice in its politics. That wish should now be reflected in the negotiations on a new coalition. Fianna Fail needs a rest. Fine Gael is still the second party, but has missed its opportunity. Mr Spring should seek to head a coalition of Labour, Fine Gael and PDs.

Nuclear research

THE NUCLEAR industry is celebrating the 50th anniversary of its birth on December 2 1942, when Enrico Fermi and colleagues carried out the first controlled nuclear reaction. Past glories are a distraction from what looks like a barren future for nuclear research, at least in the UK.

The government is cutting back drastically on the development of new nuclear energy sources, and R&D on fast reactors will be wound up over the next 18 months: the UK is to withdraw from the European Fast Reactor project and close its Dounreay prototype reactor. That will leave fusion as the last remaining field of nuclear research in which the UK is actively involved – and even its most fervent advocates do not expect to see a commercial fusion reactor within 40 years.

Nuclear scientists and engineers are lamenting what they see as the short-sightedness of pulling out of fast reactor research, after spending £2bn on it since the 1950s. They see the fast reactor – also known as a "breeder" because it can produce more fuel than it consumes – as a future jewel in the crown of nuclear power.

That attitude is understandable but sadly out of date. Experience with experimental fast reactors has shown that they are more difficult to build and operate successfully than nuclear engineers had expected.

More important, the economic justification for fast reactors – that nuclear fuel shortages early in the next century would make plutonium breeding worthwhile – has disappeared. Most experts now expect the world to remain awash in plutonium and uranium for several decades.

To have proceeded to the next stage of the European Fast Reactor project would have meant designing a £2bn demonstration reactor for a specific site. Yet there was no real prospect for the foreseeable future of the three countries involved – France, Germany and the UK – agreeing either to put up the funds required or to host the station.

The US has not been seriously interested in commercial fast reactor development since the 1970s. Even Japan's enthusiasm for fast breeders is cooling in the face of worldwide protests against its plutonium shipments.

In the unlikely event of the UK wanting to build a fast reactor in, say, 2020, there is no reason why Nuclear Electric should not buy a Japanese design, just as it is building an American-designed PWR now at Sizewell.

The government should put the money saved on fast reactor research – £13m a year on EFR and £40m on Dounreay – into other areas of energy research which have been starved of funds, such as clean coal technology. And it must keep up Britain's share of the international effort to develop nuclear fusion.

Michael Heseltine must wrestle with tough choices as he formulates UK energy policy, writes **David Lascelles**

Coal on his Christmas list

MR Michael Heseltine, the trade and industry secretary, may not spend much time with his family this Christmas. The festive season will find him trying to hammer together a plan to save British Coal in time to meet his self-imposed deadline of publishing a white paper "early in the new year".

He will not lack ideas. In the seven weeks since British Coal triggered a crisis with its announcement of 31 pit closures and the loss of 30,000 jobs, he has been deluged with suggestions from industrial, social and public interests. The parallel hearings conducted by the Commons select committee on trade and industry have also produced hundreds of pages of testimony. With the consultation period now drawing to a close, these will all go into the melting pot.

The overall message is clear: Britain's energy policy, insofar as any exists, is in a mess; people are confused and shocked by the decision to shut down half the coal industry, and they think the answer lies in government taking a more active role. But unfortunately for Mr Heseltine, the torrent of words does not contain an easy solution to his dilemma.

If anything, the debate has shown that virtually anything he does to try and increase coal's share of the UK energy market will have a knock-on cost, either as higher prices, jobs lost or subsidies. It has also become evident that he will be hard-pressed to save more than a third of the 30,000 jobs at risk. But the result need not be just a short-term palliative. One of the few encouraging points emphasised by the debate is that British Coal might have stronger prospects if it can only be helped over the next three or four difficult years.

Mr Heseltine's white paper will have to balance many competing aims. These include:

- saving a large enough number of coal jobs to quell public outrage, but keeping the cost to a minimum;
- achieving quick results, but also creating a sensible long-term framework;
- taking government initiative without destroying the overriding aim of introducing market forces into the energy sector;
- making the rescue a boost rather than a burden to the economy as it struggles to recover.

The fundamental question which Mr Heseltine will have to answer before he considers possible courses of action is who will bear the cost of saving British Coal, the taxpayer or the electricity consumer. The trade secretary himself has put the total cost of keeping British Coal at its present size at £1.2bn a year.

The case for placing the cost on the taxpayer is that saving miners' jobs is essentially a social matter. Coal is uncommercial, and if wider national considerations require it to be saved, the country at large should foot the bill. But having only just agreed the spending cuts needed for the Autumn Statement, Mr Norman Lamont, the chancellor, will be in no mood to countenance fresh outlays. Saving coal would add about a half penny to the basic rate of income tax.

There is a stronger case for loading the cost onto the electricity consumer. Here, the argument is that saving coal is not a social matter but a prudent way of diversifying the country's fuel supplies. A rescue financed by consumers would also save the government a large sum of money by reducing the state's redundancy bill for jobless miners.

Mr Heseltine may find it easier to bury the cost in electricity bills. At the moment these are unlikely to rise next year because of the effect of price controls. If Mr Heseltine forces them up, household consumers may not notice much difference, though industrial consumers could kick up a fuss about the threat to recovery: "What we need is price decreases, not price increases," Mr Peter Rost, the chairman of the Major Energy Users Council told the select committee.

None of the possible solutions would meet all of Mr Heseltine's requirements. Some, such as the suggestion that power generators be asked to hold larger coal stocks, are plainly impractical because their yards are already bulging with coal, and British Coal itself has 20m tonnes lying unsold. Suggestions that imports of coal and electricity should be banned are ruled out by the commercial and diplomatic repercussions.

The solution that looks most attractive remains one of the first to be mooted: the extension of the so-called franchise market in which most of the electricity generated from British Coal's output is sold. Those in this market, which consists of all but the 5,000 largest electricity consumers in the country, have to buy power from their local distribution company. It accounts for 70 per cent of electricity consumed, and prices have been maintained at artificially high levels to help coal.

The intention was to phase the franchise market out in stages starting in 1994, and liberalise competition completely by 1998. Mr Heseltine could delay this timetable, either through legislation or with the agreement of the electricity regulator, Prof Stephen Littlechild. Such a move would be welcomed by many regional distribution companies which are not looking forward to tougher competition, and it would place the cost on the consumer rather than the taxpayer.

Above all, it would achieve quick results because it would give the electricity industry confidence to sign up for larger deliveries of coal in the new five-year contracts which they are negotiating with British Coal. These contracts, due to start next April, are crucial to British Coal's future.

The franchise market could be extended in a further way, along the lines of a proposal by Mr John Baker, chief executive of National Power, the largest generator. He suggested that Mr Heseltine decree that this market could only be served by electricity generated from coal produced in the UK. This would mean excluding the controversial new gas-fired generators which have been accused by large electricity users and the coal lobby of being uneconomic. The present structure of the market allows the regional electricity companies to pass on any higher costs directly to consumers. Mr Baker's suggestion would also staunch coal imports.

Balancing act: The trade secretary must save enough mining jobs to quell public outrage but he must also keep the cost to a minimum

Although Mr Baker's proposal looks self-serving because National Power is the largest supplier of electricity to the franchise market, it would return that market to the role for which it was originally created – to protect coal. It would doubtless provoke a cry of protest – and probably legal action – from the gas projects' owners. But it would also put to the test the claim which these projects have always made that gas can compete in a free market. "They can't have it both ways," says Mr Baker.

Together, these measures could add 15m tonnes of coal to the 40m tonnes currently expected to be burnt for power generation next year.

By contrast, the other front-running suggestion – that Mr Heseltine accelerate the closure of the UK's ageing magnox nuclear reactors – has fewer attractions. Although these reactors are currently subsidised to the tune of £1.2bn a year, their closure would not save this money since it is earmarked for decommissioning costs which will be needed anyway. On top of that, premature closure would deprive the Treasury of the considerable earnings which the magnoxes generate now that their costs have been fully written down. Nuclear Electric puts the potential revenue loss at £2bn.

A further drawback is that nuclear power stations cannot be closed down at a stroke; their closure would not spark any immediate additional demand for coal.

While Mr Heseltine will want quick results, he will also need to lay out long-term plans in order to rebuild confidence in the energy sector. The question here is whether he will want to institutionalise a more active government energy policy by creating an energy commission, or even reviving the department of energy which he scrapped only six months ago.

There is strong political support for the idea of an energy commission. Public opinion seems to favour making the country's fuel mix a matter of national policy which takes account of social, economic and environmental needs. It also looks as if the select committee will back such a scheme.

The committee's hopes that Prof Littlechild would perform this role were dashed when he told them that it was not his job to promote particular types of fuel or save the coal industry. The committee subsequently welcomed a blueprint for an energy agency proposed by Dr Dieter Helm, director of Oxford Economic Research Associates.

But Mr Heseltine would have to decide whether closer government intervention marked a large step back from its long-term plan of introducing market forces into the energy sector. For one thing, it would require detailed legislation. The cost of trying to dictate the fuel mix could also be huge because of the subsidies and distortions it would introduce. The economics of the electricity generation and distribution business would be radically altered only two years after privatisation.

But are these fears exaggerated? Mr Francis McGowan of the Science Policy Research Unit at Sussex University, a leading academic centre on energy policy, says it should be possible to adopt a more active policy without falling into the same mistakes as the past. The privatisation of the power industry and the creation of regulators to protect consumers' interests have made the market much more transparent. "The pendulum has to swing back a bit the other way," he says.

Would a solution that created a market for an extra 15m tonnes of coal production be enough? Mr Neil Clarke, chairman of British Coal, delivered a gloomy warning to the select committee. Because of the increases of productivity which his company is making, the need for labour will fall anyway. So even though 15m tonnes represents half the amount by which British Coal production was due to be cut, it would at the most save only 10 of the 31 threatened pits, and a third of the miners' jobs.

But by the same token, a breathing space would enable British Coal to bring more of its pits up to competitive strength. According to John T. Boyd, the mining consultancy hired by the government to advise on the closures, 28 of the pits could produce coal at an average price of £1.33 a gigajoule within three or four years, and some could do better. That compares with the current price of £1.80, and would take British Coal within range of imported coal prices.

Mr Heseltine may conclude that it is worth holding back changes in the power market in the hopes of securing these gains, and putting British Coal on a sounder long-term footing, particularly if he can point to wider social benefits. But there will be a hefty price to pay.

Samuel Brittan

Black Wednesday's cost

Despite the ridiculous slogan attributed to Henry Ford, "history is bunk", history will not go away, an example being the cost of the British government's unsuccessful attempts to defend sterling's ERM parity up to Black Wednesday, September 16.

That new and most useful periodical, Central Banking*, has provided an analysis in its autumn issue. Although its own estimate is probably too high, it has helped to prise out some information.

The best estimate of the sums expended by both the Bank of England and other central banks in defending sterling during the period is in the region of £15bn to £20bn. This includes drawings made on the special Ecu facility announced on September 3 and on proceeds of earlier Ecu borrowing. So it is double counting to add them all together.

The best approximation to the capital loss would be to apply to the sums expended the 15 per cent devaluation of sterling against the D-Mark, which gives a loss of around £2¼bn to £3bn, near the upper end of what was estimated by outside observers immediately afterwards. This is obviously not exact. For instance, some of the outstanding amount to be repaid is Ecu denominated; and the pound was devalued a little less against the Ecu than the D-Mark. Nevertheless it is in the right ballpark.

We are not talking about small sums. What is most likely to anger the chancellor is not the numbers in Central Banking but the assertion in the magazine that the loss is "just as if Norman Lamont had personally thrown entire hospitals and schools into the sea all afternoon".

It is true that the transactions of the Exchange Equalisation Account are excluded from the UK Public Sector Borrowing Requirement. But look at the well-known $1bn gain of a private fund manager, George Soros, from the devaluation of sterling. Suppose that Mr Soros had been less skilful and had lost an equivalent amount. Is there any doubt that he and his fundholders would have been poorer? Capital losses in the public sector can be spread over a longer period – it would be absurd to raise British taxes in one year to make up foreign exchange losses. But they have not vanished into thin air.

A more important revelation in Central Banking is of a letter from a former president of the Bundesbank, the late Dr Otmar Emminger, written in 1978 before the start of the ERM and accepted by the German government, opting out of any obligation of unlimited intervention in support of weaker currencies.

The Bundesbank spent DM290bn in currency support by the weekend before Black Wednesday

The substance of the letter was known to other central banks. Indeed the whole concept of unlimited intervention was basically a bluff. Quite apart from the controversy about the effects of such intervention on the German money supply, there is an obligation to repay these sums within 75 days – only a fraction can be rolled over. Repayment becomes less credible once intervention gets into the stratosphere.

For instance, by the weekend of the Italian lira devaluation, the Bundesbank had spent DM90bn in support of currencies against their ERM margins, in practice the lira. In addition some DM200bn had previously been expended in intramarginal support of currencies before they had reached their limits, making a grand total of no less than DM290bn.

There were other ignored warning signals. When a currency had reached 75 per cent of the maximum permitted divergence in the ERM grid, consultations with partner countries should be triggered, covering fundamental policy. Yet the British government, as far as is known, was not prepared either to raise interest rates or to raise the question of realignment.

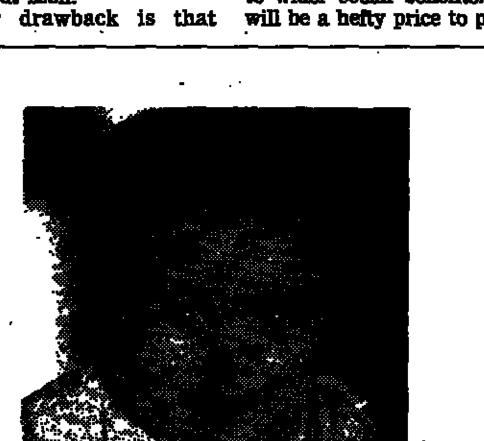
By the weekend of the lira devaluation, the Bundesbank had notified the German government that intervention had reached unmanageable proportions and once again raised the question of a wider realignment in return for a larger cut in interest rates. Recent contacts between the House of Commons treasury committee and the Bundesbank have suggested that this proposal was not passed on by Jean-Claude Trichet, the French chairman of the Monetary Committee. The French riposte, with which one can sympathise, is that the German position was surely clear enough and was not dependent on one particular channel for its transmission.

One Bundesbank view is that some good may still come from the confusion if it is now clear that:

- realignments are still within the rules of the ERM game;
- ERM members can temporarily opt out during periods of stress; and
- unlimited intervention is for the birds.

But why did it take an international catastrophe to establish these elementary points? Of course a case could have been made, as I indeed tried to, for a harder version of the ERM. But it was simply ostrich-like to pretend that the core player, Germany, accepted such a hard version when in fact it did not.

*53 Clarewood Court, Crawford Street, London W1H 5DF.



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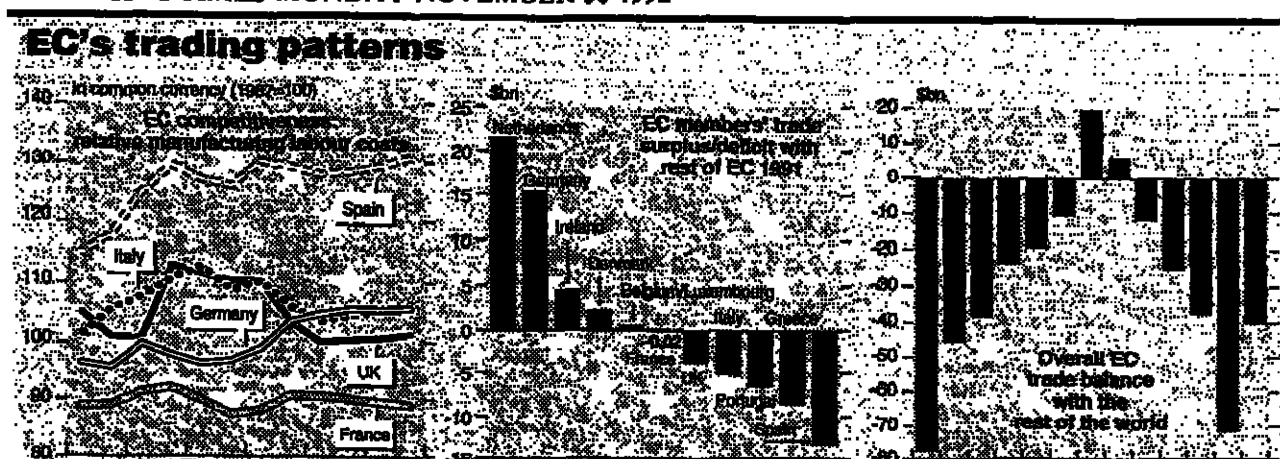

Costs and benefits of the currency conundrum

FT writers examine the impact of European exchange rate upheavals on the competitive position of the continent's exporters

Industrialists throughout Europe are still recovering their breath after an autumn of European currency upheaval. With the effects on competitiveness varying according to whether they sell from a hard or soft-currency country, exporters around the continent have different stories to tell.

Following three realignments in the exchange rate mechanism (ERM), combined with the floating of the Swedish krona and Finnish markka, there is unease that more devaluations may be on the way. And one overriding worry is that competitive devaluation could exacerbate the problems faced by Germany, Europe's strongest economy – adding to recessionary pressures around the continent.

Countries where currencies have appreciated are feeling the pinch. The D-Mark and the French franc have risen sharply against leading European currencies since sterling and the lira left the ERM on September 16. The trend continued after the fresh ERM realignment on November 22, in which the peseta and escudo were devalued by 5 per cent.

The disadvantages caused by foreign devaluations for exporters in Germany and France have been partly offset by the rise of the dollar since September – which has cheapened European exports compared with those priced in dollars. But, since intra-European trade far outweighs European countries' exports to the dollar zone, it is the ERM shifts which have had the larger consequences for competitiveness.

Commenting on the September devaluation, Mr Robert Hudry, finance director of Usinor Sacilor, the French state-owned steel group, complains: "In the space of one week, we lost four years' effort in improving our productivity. It's a heavy handicap."

Since France's labour costs are now rising much more slowly than Germany's, the Paris government reckons competitive problems are tolerable. Mr Bruno Durieux, the junior trade minister, estimates that the weakness of sterling, the lira and the peseta will set back the French trade balance by FFr5bn (£610m) in a full year, compared with the forecast trade surplus of FFr25bn this year. However, The Patronat, the French employers' association, expects French exporters to lose market share in cars, steel and telecommunications unless companies cut margins.

Patronat officials say their real worry is whether the ERM will hold together if strains revive. Mr Noel Goutard, chairman of Valeo, the car components maker, echoes these fears: "My worst nightmare is that the Bundesbank will not cut interest rates by the end of the year and that France will approach its legislative election next March facing 3m unemployed in a political panic. The political right will then be tempted to devalue, perhaps by between 10 and 15 per cent, when the government could have got away with only a 3-4 per cent devaluation a few weeks ago."

One big worry is that competitive devaluation could exacerbate Germany's problems – adding to recessionary pressures in Europe

The country showing most pessimism about the currency changes is Germany. Labour costs are rising faster than in many competitor countries, and the economy slowed sharply in the third quarter this year. Companies' worries that they may be pricing themselves out of export markets have cast a fresh pall over economic prospects.

Mr Manfred Schneider, chief executive of Bayer, the chemicals group, says D-Mark appreciation has damaged the competitiveness of the entire, export-oriented chemicals sector – and warns that profits this year will fall sharply. Similar warnings have been broadcast by a range of other top companies, including Daimler-Benz, Volkswagen, Metallgesellschaft and Mannesmann.

According to the Organisation for Economic Co-operation and Development (OECD), during the past three years Germany has been losing export markets for manufactured goods faster than any other industrialised country. Taking into account the September ERM changes, the OECD estimates Germany's share of manufactured goods markets will fall 4.8 per cent this year and 1.5 per cent in 1993, after a drop of 6 per cent in 1991.

In the countries in which currencies have devalued, industrialists have welcomed the fillip to exports. Mr Robin Mowday, commercial director of Bridgeport, the export-dependent UK machine toolmaker, says sales to the US and western Europe have improved. "We are looking to export our way out of trouble, so September 16 was a big help." Mr Richard Freeman, corporate chief economist at ICI, the UK chemicals group, says sterling's fall will give a "very big impact" to exports.

But exporters from weak currency countries also fear that competitive gains could be eroded by higher import prices. Mr Filip Marazzi, chairman of Ceramica Marazzi, one of Italy's biggest tile groups, says: "We pay for a lot of raw materials in dollars, D-Marks or schillings. The expected rise in production costs will partly, or wholly, eliminate the benefit of devaluation."

In Spain, industrialists say the peseta's double devaluation has brought the previously overvalued exchange rate back to reality. But Mr Claudio Aranzadi, Spain's industry minister, last week said Spain would only stay within its new ERM limits if workers agreed lower wage rises.

In Sweden, the forestry industry – competing above all with North American and Finnish producers – will be the single largest beneficiary of the abandonment of the krona's links with the Ecu. MoDo, one of Sweden's three leading forest companies, estimates its annual turnover will increase by more than SKr200m as a result of the appreciation of foreign currencies. Both Volvo and Saab Automobile, with large export markets in the UK and US, are obvious beneficiaries. But many industry executives believe Sweden may repeat the mistakes of the 1982 devaluation, when rising wage costs and inflation eventually eroded competitive benefits.

Looking beyond the immediate consequences, economists believe the changes will do little to reverse the long-term trend of declining European competitiveness vis-à-vis the rest of the world. EC countries' share of world export markets for manufactured goods has fallen by a cumulative 6.3 per cent during 1990-92, according to OECD estimates. The EC's trade deficit with the rest of the world rose to $71bn last year from only $11bn in 1988. The shortfall was $40bn in the first eight months of this year, in spite of faltering EC growth, which would normally be expected to reduce imports.

A further round of devaluations during the run-up to next spring's French elections could divert attention from the search for solutions to the decline in the international performance of European industry. Mr Douglas McWilliams, economic adviser to the Confederation of British Industry, says: "European labour is the highest paid in the world. We work the shortest hours and have the longest holidays. You have to be very productive to get over that."

Reporting by Tom Burns in Madrid, Christopher Brown-Humes in Stockholm, William Dawkins in Paris, David Marsh in London, Haig Simonian in Milan and David Waller in Frankfurt

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Support for continuity

From Mr Hugh Marsden.

Sir, May I endorse Mr Baker's excellent letter (November 26) seeking support for the Securities and Futures Authority's continuing success in regulating retail stock exchange business. Your article, "Back to the Drawing Board" (November 26) seems to indicate that Mr Mick Newmarch (of Prudential Corporation) and Lord Alexander (of National Westminster Bank) are influenced by the clear need for their own self-interest to salvage FIMBRA.

In my own self-interest, and that of my clients, I urge Lord Alexander, Mr Newmarch and other financial services industry leaders to consider the undoubted success of the stock exchange over many years and its present successor, the SFA, and to build on it. Their proposals would surely unnecessarily sublimate a small and much needed service which is essential to private investors and to the government's declared aim to encourage wider share ownership.

In any case, vast change will incur vast cost without ensuring a better end product. Will small- and medium-sized independent intermediaries survive a second onslaught of regulatory change and cost within a decade? Without intermediaries the public will have less independent advice. Is this what the Prudential and Natwest are seeking?

Hugh Marsden,
S P Angel,
BIIBA House,
14 Bevis Marks, London EC3

Reason for optimism about changes in auditing practice

From Mr A P Thomas.

Sir, I refer to your article "Auditors' body calls for changes in practice" (November 24).

It is ironic that the accounting profession, this time in the form of the Auditing Practices Board, is discovering again that there is "a need for auditors to report to a wider audience" and "on a far wider range of activities".

It is ironic because this was the main thrust of the Accounting Standards Steering Committee's "The Corporate Report", published in 1975. This document proposed six specific additional statements, many of which address current concerns and none of which has ever been taken up by the ASC, the stock exchange or legislation.

The Corporate Report, like the current discussion document, was radical in recognising a responsibility to regulators, employees, etc.

However, there is more reason to be optimistic under the new standard setting regime that the profession will at long last grasp this thistle and make major improvements in both financial reporting and the role of auditors.

A P Thomas,
senior lecturer in accounting,
Birmingham Business School,
University of Birmingham,
Edgbaston,
Birmingham B15 2TT

Life becomes risk free

From Mr Terry Arthur.

Sir, In recent days you have carried a number of suggestions for the government to expand its underwriting activities – for example, in supporting the tourist industry, insuring against terrorism, nationalising certain debts, covering pension scheme losses, and culminating in Mr Pritchard's suggestion (Letters, November 26) in issuing wage linked securities.

These all sound like wonderful ways of taking risk out of our lives, and Mr Pritchard's suggestion should be particularly cheap – the one certain outcome would be that the historical outperformance of wages over prices would move very sharply into reverse.

Terry Arthur,
23 St Mary's Street,
Stamford,
Lincs PE9 2DG

Penny-pinching leaves passengers suffering

From R J Ardern.

Sir, Your article on passenger reaction to the new Networker trains ("Passengers say new trains create strain", November 25) could be applied to most of the new trains introduced in recent years. Economic penny-pinching has won at the expense of passenger comfort.

The class 156 Super Sprinter is seriously deficient in toilet provision. The ubiquitous class 158 Express Sprinter and the Mark 4 coaches on the East Coast Main Line are cramped like the Networker. Seats are too narrow and too close together, particularly where four people are expected to sit with knees knocking round a table which has insufficient space for their papers. Larger people and pregnant women are simply not catered for.

The lack of mid-carriage doors and the cramped conditions also extend unloading times by a significant amount which could be life-threatening in a major incident. Presumably these designs have passed somebody's safety audit? A worrying trend for the future is that the 158s are already becoming rattle-traps with ceiling units and luggage racks banging away throughout the journey. This same problem was also apparent recently when I sampled the new stock on the Portsmouth line.

One big advance has been the smoother ride given by the new generation of bogies and BR should be congratulated on this. However, it would do well to start again from the body shell and design interiors more suited to reasonable passenger comfort. The trains are projected to last for 30 years, but will customers' patience?

R J Ardern,
26a Southside Road,
Inverness IV2 3BG

Contracting for public services: regulations not extended for first time, and employees' fears confirmed

From Mr Michael Forsyth MP.

Sir, Contractors for local authority services may well have been confused by misleading reports in the FT and elsewhere about an amendment to the Transfer of Undertakings (Protection of Employment) Regulations proposed in the employment legislation now before parliament.

These regulations provide for the transfer of employees' contracts where an undertaking is transferred to a new employer. Catherine Milton said in her articles on October 29 and 30: "Until now the government has argued that the directive applies only to workers in the private sector." That is not true. The government has always accepted that both public and private sectors come within the scope of the regulations. The amendments in the current bill certainly do not have the effect of extending the regulations to the public sector for the first time.

However, the regulations do not normally apply where local authorities contract out in-house services in accordance with the requirements of our compulsory competitive tendering (CCT) legislation, since there is not normally a transfer of an undertaking in these circumstances. The amendment we are making to the regulations does not alter this position. CCT has led to both financial savings and improvements in the quality of local services, and it is in no one's interest to see its impact lessened by ill-informed reports.

Nor has the Foreign and Commonwealth Office suspended its preparation for market testing, as your report stated. The White Paper published on November 25, as reported in your edition of November 26, contained a list of activities to be market tested in every government department, including the Foreign and Commonwealth Office. The legal position on the regulations is one of a number of issues which have to be taken into account in the normal course of developing contracting out programmes, before tendering can proceed. The amendment we are making does not affect the government's plans for market testing or contracting out.

Michael Forsyth,
minister of state,
Department of Employment
Tothill Street, London SW1

From Mr Leslie Christie.

Sir, Mr Waldegrave's attempt to reassure potential contractors for public services ("Government seeks to clarify rights of employees in transfers", November 26) will only serve to confirm their fears. He claims that discussion of the application of the Transfer of Undertakings Regulations (TUPE) is a "red herring". The only thing fishy about the debate is the government's attempt to pretend that the TUPE regulations (and the EC directive on which they are based) have no effect on the market testing programme.

Playing with words, the government argues that TUPE has always covered the public sector. Formally, this is true – but up to now TUPE has never been deemed to cover the contracting out of public services because "non-commercial" ventures were excluded. The government's recent proposed amendments to UK legislation effectively admit that it was in breach of the EC directive.

The minister's next defence is that the regulations applied "only when an undertaking was transferred" and that this would depend on the facts of the case. A recent European Court of Justice decision makes it much more likely that the regulations *would* now apply in most cases of contracting out of services.

And to rub salt into the wounds (or the herring), those who have suffered as a result of the government's failure to implement correctly an EC directive into domestic law now have the option of bringing an action for damages against the government under principles laid down by the European Court of Justice.

Leslie Christie,
general secretary,
National Union of Civil and Public Servants,
124-130 Southwark Street,
London SE1 0TU

OBSERVER

Mandarin solution

■ It's to be hoped the Queen's offer to pay tax on her private wealth does not lead to the sort of bureaucratic madness that followed an attempt to bring privileged bodies into the tax-net by the Labour government of the 1960s.

The instigator was the late Richard Crossman who had previously been not only a university don at Oxford, but a member of the city's council. As such, he'd been appalled by the income lost to the city because Oxford University, like its counterparts elsewhere, was exempt from paying rates.

So, on becoming minister for local government, he withdrew the rates-exemption from universities in general.

The snag was that a good many lacked the money to pay the charges because their entire income was committed to teaching and research. Warnings of impending bankruptcies began to spread.

But Whitehall mandarins neatly produced a cost-less solution. They increased the central government grants to universities to cover the rate-payments to their local authorities, and decreased the central grants to the relevant authorities by the same amounts.

Alas, the resulting money-go-round hadn't been operating for long before another arm of officialdom threw a spanner in the works.

Since the new arrangement was purely a book-keeping exercise, whenever the local authorities raised the rates, the universities simply paid up without demur. But that incurred the displeasure of the Committee of Public Accounts, which said they must contest the rate-increases to keep the local councils in check.

Whereupon universities on the one hand and councils on the other took to the courts, and soon large dollops of taxpayers' and ratepayers' money were flying off the money-go-round...into the pockets of lawyers, of course.

Cutting back

■ It sounds like chancellor of the exchequer Norman Lamont is not the only member of the government who may be living beyond his means. Observer hears that Alastair Burt, a junior minister in the department of social security, has requested a copy of Bernadine Lawrence's useful new book, "How to feed your family on £5 a day".

Given that the National Consumer Council estimates that the average family spends at least £60 a week on food, Burt should have recouped his £3.99 outlay in a couple of days if he sticks to the diet.

Royal wonder

■ Peter Wood, the 46-year-old founder of Royal Bank of Scotland's money-making Direct Line Insurance subsidiary, started yesterday with a game of tennis before heading for the office to return the anticipated volley of criticism over his £6m bonus.

Wood is hardly the traditional clearing bank director. An entrepreneurial figure who rattles off an array of statistics about his telephone sales operation, he is briskly unapologetic about what he gets paid. "I certainly don't want to be known as the $6m man," was the closest he came to sounding defensive.

The bank was supporting its colourful director yesterday. But does it really want more "Peter Wood clones", as he himself thinks? Far be it for Observer to sow seeds of boardroom dissent. But if Wood can keep up this type of performance – he told The Observer that his operation could be "worth more than the Royal Bank before too long" – he should be running the Royal Bank and not George Mathewson.

Like Michael Hepher, Lloyds Bank's insurance supremo who defected to BT, it is hard to imagine the Royal Bank offering Wood the sort of career prospects which will satisfy a multi-millionaire for the next 14 years.

Customer loyalty

■ It is easy for journalists to abuse the privilege of their position by slagging off a product or company that has provided them with shoddy service. Members of the public rarely get the same sort of response as an incensed scribe threatening to reveal all.

Even so Lynn Barber's tale, in The Independent on Sunday, of how her daughter has been waiting seven weeks for her free camera and cash card after opening a Lloyds Bank student account, struck a cord. The free camera has finally arrived – it doesn't work – but still no sign of her daughter's cash card.

Ms Barber contrasts Lloyds' response with that of the John Lewis department store group after she complained about a worn out loose cover for her sofa. The offending item was whisked off to a laboratory to see what went wrong and a replacement is being made as fast as possible. "Imagine if someone had seen that cover and you had said you got it at John Lewis," a worried John Lewis partner told Ms Barber.

The difference between a clearing bank and a department store is that the latter's success depends on repeat business, whereas a clearing bank can live off a near captive customer base. That said, tales like the above do raise the question of whether Lloyds Bank really deserves its reputation as the best-managed London clearing bank.

Suitable

■ Still on the subject of bank-bashing, have you noticed Barclays Bank's latest advertising campaign – Starting a business this year?

It promises "all the practical, actionable advice you need to turn your dream into a reality". The dictionary's definition of actionable is "furnishing ground for an action of lawsuit".

Hasn't Barclays got enough lawsuits on its hands already?

Bob a job

■ Overheard during discussion of redundancies on train from Birmingham to London: "Yes, my brother's been out of work since he lost his job in the summer...and he was chairman of BP."

The other Horton went on to say that brother Robert is in the small-print stages of becoming head of an unidentified public service outfit. "Not the coal-mining review body, you know, but something comparable."

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FINANCIAL TIMES
Monday November 30 1992

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African National Congress president Nelson Mandela yesterday told a Pretoria black township rally that a new non-racial government would not cast aside South African white policemen, soldiers and civil servants

S African golf club attack leaves four dead, Page 6

Seven Efta members may veto moves to increase North Sea competition

Nordic threat to oil drilling plan

By Andrew Hill in Brussels and Hilary Barnes in Copenhagen

A NORDIC alliance of Norwegians and Danes is threatening to postpone approval of European Community measures to increase competition in North Sea oil and gas exploration and drilling.

The meeting of 12 EC energy ministers in Brussels today could become the first council to bow to objections to Community legislation raised by a member of the European Free Trade Association, which includes Norway.

Norway has had no direct part in negotiations on the EC directive and will not be represented at the meeting. But some EC countries are worried that Norway and the six other Efta countries could try to veto the EC legislation next year under the terms of the European Economic Area, the 19-nation free trade zone which comes into force on January 1.

Germany, Italy, Denmark and the Netherlands have suggested a three or four-month delay to win over the Norwegians. But Britain, the EC president, will press for political agreement on the measure's substance today.

Denmark, like Norway, has fundamental objections to the directive, because it would outlaw discrimination against applicants for drilling or exploration licences on grounds of nationality. Norway wants to continue to give Statoil, the state company, 50 per cent of every licence granted, while Denmark's state-owned group, Dansk Olie og Naturgas, has an automatic right to be included in any licence.

Denmark could be outvoted, but influential Danish opposition parties want their minister to use the "Luxembourg compromise" veto citing overriding national interest if a deal is likely. Mr Ove Fich, the opposition Social Democratic party's energy spokesman, said: "This is more important for Denmark than the Gatt accord is for France."

Natural resources companies are worried the legislation might affect long-running licences for exploration and drilling, although British officials claim that existing licences will be safe.

Ministers are also set to discuss plans for liberalisation of gas and electricity networks. But Britain, the strongest supporter, is not going to push for a decision.

Doubt cast on HK port development

By Simon Holberton in Hong Kong

CHINA'S row with Britain about democracy in Hong Kong took a turn for the worse over the weekend when senior Chinese representatives in the colony cast doubt on development of Hong Kong's container port.

Ma Yuzhen, China's ambassador to London, has been summoned to the Foreign Office today to receive a toughly worded note from Mr Alastair Goodlad, a Foreign Office minister, after Beijing demanded to be consulted on the development of the port's ninth terminal.

Officials in Hong Kong said the latest intervention by China was an attempt to undermine confidence in the colony.

Beijing has claimed the proposed development of the container port's ninth terminal can not proceed without China's agreement on terms under which government land to accommodate the terminal will be sold to the operators. The government recently made a proposal to three operators, each of which has mainland Chinese links, over terms for proceeding with the HK$10bn ($1.28bn) project.

The Hong Kong government denied the Chinese needed to be consulted over terms of the sale of the land – permission for which was agreed with China earlier this year. It said that no government contracts or franchises were being awarded.

China last year secured the right to be consulted on contracts and franchises which span June 1997 – when Hong Kong reverts to Chinese sovereignty – when it agreed to construction of the new airport. It has since refused to agree to financing terms for the airport because it disagrees with Britain about the development of democracy in Hong Kong.

The Chinese demand for consultation on the terminal was voiced by Guo Fengmin, Beijing's chief representative to the Sino-British Joint Liaison Group. It coincided with a vote by the colony's Legislative Council to approve the administration's request for additional finance for the airport.

KIO external client accounts took large profits in Spain

By Peter Bruce in Madrid

THE KUWAIT Investment Office, which claims to have lost billions of dollars on industrial investments in Spain over the past few years, was at the same time making large profits in Spain for institutional and private Kuwaiti clients.

The profits were transferred to a number of hitherto unrevealed external accounts the KIO was managing alongside the Kuwaiti oil revenue reserve it traditionally handles.

A Financial Times investigation has uncovered evidence that the external accounts were the main beneficiaries of the KIO's controversial investment drive into Spain in the late 1980s. They may, in part, have made profits at the expense of Kuwait's Reserve for Future Generations, which the KIO, one of the world's most powerful and secretive investors, was created to manage.

Between 1986 and May this year the KIO spent $3.4bn (£2.2bn) building one of Spain's largest industrial conglomerates. New managers who took control of the organisation last spring have been investigating what they claim are "irregularities" in the handling of the Spanish assets which were bought with the money.

The KIO holding company in Spain, Grupo Torras, now has debts of about $3bn and a number of its affiliates have either collapsed or are close to failing.

The new KIO management claims that no profits were made in Spain and is threatening to take legal action against the former leadership of the KIO and its Spanish partners. But internal KIO documents show that by May 1990 the KIO's future generations account had made $24m in Spain while some of its "managed" accounts had made a profit of $231m.

A report produced last year by the KIO's auditor, KPMG Peat Marwick, details transfers of profits made on share transactions from Spain to a series of offshore companies – GSM Securities Management, Montrex and BPS – through which the external accounts traded.

It has not been possible to identify the owners of the external accounts. The KIO's constitution authorises it to manage any funds it is directed to by the Kuwaiti government.

Where did the billions go?, Page 15

ICI may shut down chlorine plants

By Ian Hamilton Fazey, Northern Correspondent, in Manchester

ICI, the British chemicals group, is to decide in three months' time whether to pull out of chlorine production and associated businesses because of high electricity prices and tightening environmental controls.

To meet stiffer emission controls over the next few years, ICI estimates it will have to invest about £50m by about 1996, £30m of this by next year. However, managers fear they may not be able to justify such investments at current levels of profitability, which have been hit by rising power costs since privatisation of the electricity industry.

Closure of ICI's three British sites – at Runcorn and Northwich in Cheshire and on Teesside – would mean the loss of 7,000 jobs and worsen the UK's visible trade balance by about £1.5bn ($2.27bn) a year.

Mr Bob Hunt, managing director of ICI Chlor-Chemicals, said yesterday it would be impossible to justify £30m of capital spending, given the plants' present financial performance.

Electricity accounts for about 75 per cent of ICI's variable costs in chlorine production. It uses the Castner-Kellner process, in which powerful electric currents split a solution of brine into chlorine and caustic soda.

These are the basic feedstocks for a wide range of chemical products, including most modern solvents and plastics. About 4,000 downstream jobs depend on chlorine production at Runcorn alone, where ICI's complex of three Castner-Kellner plants consumes 1 per cent of the nation's power output, making it Britain's biggest electricity customer.

The company has the bulk of the UK market but now cannot afford to operate plant for long enough each day to fill export orders. Some £30m in export business has been lost to competitors, such as Dow, Solvay and Elf.

ICI claims that its electricity prices have risen 50 per cent since the privatisation of the electricity generators.

Yeltsin calls for new reformist party

Continued from Page 1

ticipation and a more serious approach to what is happening in Russia".

The seventh Congress brings together some 1,045 deputies, many elected under a Soviet system which meant their candidacies were selected by the Communist party or one of its affiliated organisations.

The economic programme will be at the centre of the Congress's business, but it is also expected to discuss a new constitution and a law which would determine the powers of the parliament and the president.

The news agency Interfax reported yesterday that Mr Yeltsin had sent back to parliament a bill passed by the deputies which curtails the president's powers to appoint ministers.

The agency said that Mr Ruslan Khasbulatov, the parliamentary speaker, has ordered one day of the Congress to discuss the bill.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne		–	–	Frankfurt	R	5	41	Majorca	S	18	64	Oporto	S	14	57	Tenerife	S	24	75
				Brussels	Dr	9	48	Geneva	S	12	54	Malaga	S	14	57	Oslo	S	-1	30	Tokyo	S	14	57
				Budapest	S	7	45	Gibraltar	S	15	59	Malta	F	20	68	Paris	C	13	55	Toronto †	C	2	36
Ajaccio	F	17	63	Buenos Aires	R	23	73	Glasgow	C	5	41	Manila	C	32	90	Prague	S	3	37	Tunis	S	21	70
Algiers	S	21	70	Cairo	F	21	70	Helsinki	C	-8	18	Melbourne	F	14	57	Reykjavik	R	5	41	Valencia	F	16	61
Amsterdam	C	7	45	Cape Town	S	24	75	Hong Kong	S	23	73	Mexico City	F	21	70	Rhodes	S	17	63	Venice	Fg	7	45
Athens	S	17	63	Caracas	R	29	84	Innsbruck	R	6	43	Miami †	C	14	57	Rio d'Janeiro	C	30	86	Vienna	F	7	45
Bahrain	F	21	70	Casablanca †	S	17	83	Inverness	F	6	43	Milan	C	5	41	Rome	F	16	61	Warsaw	C	4	39
Bangkok	C	29	84	Chicago †	S	-1	30	Islamabad	F	20	68	Montreal †	C	2	36	Salzburg	R	7	45	Washington †	C	7	45
Barcelona	S	15	59	Cologne	C	7	45	Istanbul	F	11	92	Moscow	S	-19	-2	S'Francisco †	S	8	46	Zurich	R	11	52
Beijing	S	7	45	Copenhagen	S	5	41	Jakarta	R	32	90	Munich	R	6	43	Seoul	S	12	54				
Beirut	R	14	57	Corfu	S	17	63	Johannesburg	F	26	79	Nairobi		–	–	Singapore	F	29	84				
Belfast	C	7	45	Dallas †	S	1	34	Lisbon	Fg	13	55	Naples	F	27	83	Stockholm	C	2	36				
Belgrade	R	7	45	Dublin	C	9	48	London	C	9	48	Nassau	C	26	80	Strasbourg	R	7	45				
Berlin	C	2	36	Dubrovnik		–	–	Los Angeles †	S	12	54	New Delhi	S	22	72	Sydney	F	19	66				
Biarritz	S	17	63	Edinburgh	C	4	39	Luxembourg	Fg	7	45	New York †	C	4	39	Taipei	R	22	72				
Bombay	S	32	90	Faro	F	18	64	Madeira	S	21	70	Nice	F	14	57	Tangier	S	18	64				
Bordeaux	S	18	64	Florence	Dr	13	55	Madrid	S	9	48	Nicosia	F	16	61	Tel Aviv	S	19	66				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

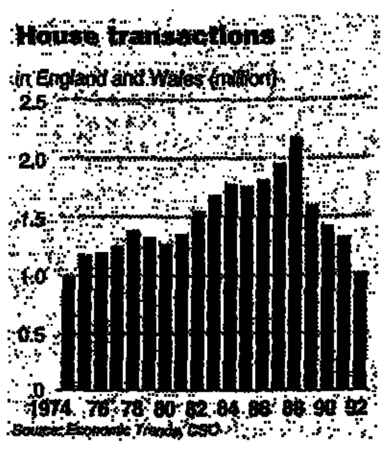
THE LEX COLUMN

Shaky foundations

Beware consensus in the UK housing market. That would seem a sensible rule for investors given the events of recent years. Building societies, estate agents and even many independent City commentators, after all, were anticipating a rise in house prices at the start of both 1991 and 1992 which never materialised. Judging by the latest forecasts from Charterhouse and UBS Phillips & Drew (which to be fair predicted that prices would continue to slide this year) expectations are now somewhat more muted. If they are right, however, there will be a bounce in the volume of house purchases in 1993 from their current 20-year low. Prices will finally turn up, perhaps by 5-6 per cent, in calender 1994.

As P & D points out recent interest rate developments have made houses in the UK more affordable than at any time since the early 1970s. There are also demographic factors – including, intriguingly, an unprecedented number of women of average child bearing age – likely to fuel demand. The troubles, of course, include that old enemy unemployment which seemed to be accelerating in the third quarter and is unlikely to stabilise until next year. Prospective purchasers are also put off by the prospect of further house price falls and tougher lending criteria on the part of the building societies.

The risk is that many of the ingredients for revival – better price/income ratios, pent up demand and the like – also seemed to be in place 12 months ago. Volume housebuilders such as Persimmon and Wilson Bowden have rightly been pinpointed as the best targets for those determined to play the sector. But prospective earnings multiples of 17 leave no scope for further disappointment.



Accounting

Just as the UK market is getting accustomed to adjusting reported profits for pension costs, a new item has started to muddy the figures. The new method of accounting for the cost of providing post-retirement medical care to US employees knocked £4m off Tate & Lyle's full-year profits. It will also take a £52m bite out of the balance sheet. Tate is merely falling into line with the latest guidance from the UK accounting standards setters that such benefits should be treated in the same way as pension costs. That means an actuarial stab at the future cost of providing health care and smoothing the charge over the average working life of employees.

In Tate & Lyle's case the new method doubled the annual charge against profits. For companies with a bigger or older US workforce, the damage will be worse. If the actuarial sums are correct, of course, the cash cost should eventually catch up with the accounting charge. Estimating future medical costs makes pension arithmetic look like an exact science. Making assumptions about the rate at which retired employees fall ill, and the cost of medical treatment by the time they do, is little more than guess work.

This could be a case, though, where a new method of bean-counting prompts overdue action. Tate is already looking for ways to reduce its post-retirement obligations. Some US companies are taking a more draconian approach. Unisys, for example, has said it will stop contributing at all from 1996 rather than take a $100m annual charge and a $700m write-off. If the accountants help bring about reform of the US health care system, so much the better.

UK smaller companies

Given the soggy performance of UK smaller companies in recent years, it takes a leap of faith to launch an investment trust designed to track the stock market's minnows. Hoare Govett's new venture, however, may not be quite as perverse as it seems. Smaller companies are particularly vulnerable to high interest rates partly because they are usually highly geared. As recession hits, they are also hurt because large companies try to improve their cash flow at the expense of the smaller fry. Both those pressures ease as interest rates fall.

Historically the sector has offered high returns to compensate investors for the difficulty in dealing in the companies' shares. That changed in the mid-1980s, as small company shares were briefly perceived as more liquid. The 1987 stock market crash shattered this illusion. Now the sector has fallen back to allow the more traditional high return. Illiquidity, and hence this high return, may well continue: an investor in small company shares may often have advantageous information which his counterparty has not researched. Wide spreads are a defence against this information gap.

Hoare Govett might argue that investors in its trust are protected from the liquidity problem. The trust will track its own Smaller Companies Index which has a beta of one, making it no more volatile than the market as a whole. It might thus seem a cheap way of obtaining high small company returns. That said, investors may prefer to wait and see what level of discount to net assets the fund settles at before taking the plunge.

Coal

Partisan lobbying is all grist to Westminster's mill. But the efforts of the electricity generators and regional electricity companies to blame each other in the coal row may yet cause the government difficulty. If it is to make concessions on pit closures, its priority must be to get more coal burnt, and for that it will need the co-operation of both sides of the electricity industry. Giving that help could well guarantee a light touch from a grateful government. A fudge – perhaps based on Southern Electric's suggestion that the government should sell its competition soul and maintain the size of the non-competitive market till 1988 – could be agreed with a little give all round. British Coal might then sell over 50m tonnes a year and buy much needed time.

Yet obvious tension between the RECs and the generators could compromise a deal. It may be rash for the RECs to press for a break-up of the generators, since by almost any measure REC returns are higher. And the suggestion by National Power that the non-competitive market should be reserved for coal largely burned by the generators is mischievous. Shareholders must hope that neither side invites a Monopolies and Mergers Commission inquiry by pursuing feuds which run back to the long fiat of the CEGB.

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INSIDE

Toronto-Dominion falls 18% in full year

Toronto-Dominion Bank, Canada's fifth largest chartered bank, has reported a 7 per cent decline in fourth-quarter profits and an 18 per cent drop for the full year ended October 31. Page 18

Tax review

The UK government is reconsidering the tax treatment of insurance companies after complaints from UK insurers that they are penalised more heavily than European counterparts, it was disclosed yesterday. UK insurers are not allowed to deduct tax on equalisation reserves made against future claims. Page 14

Final straw for French farmer

Mr Jean-Philippe Garnot, a pillar of the local branch of France's main farm union, manned the barricades in last week's farmers' demonstrations in Paris and will do again at a rally with other European farmers in Strasbourg tomorrow. He feels abandoned by Brussels and believes he is defending his region and his job. Back Page

A taste for internal affairs

Many people in Europe have built up a horrible vision of Mr Martin Bangemann since 1989, when he became Germany's senior commissioner, responsible for the internal market and industrial policy. They say this was the man who tried to ban the UK prawn cocktail crisp and outlaw dozens of traditional unpasteurised cheeses in the interests of EC harmonisation. Andrew Hill reports. Back Page

Razor-sharp issue

Six prospective bidders will this week enter discussions for the purchase of Wilkinson Sword, the shaving products and toiletries group. Wilkinson's owner, Eemland, hopes the planned sale will rid Wilkinson of an unwelcome financial involvement by Gillette of the US, its main competitor, which has aroused opposition from competition authorities worldwide. Page 18

Uphill struggle in Japanese life

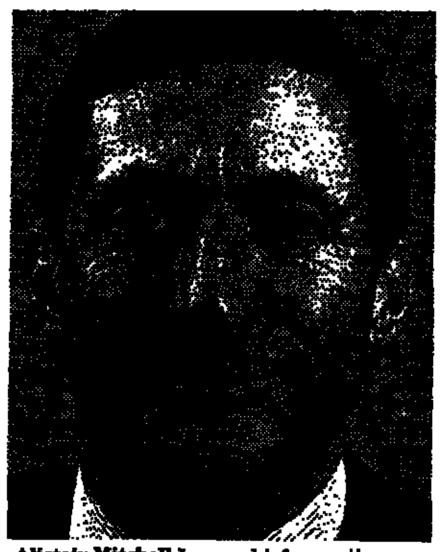
Nippon Life Insurance, the largest of Japan's life companies, reported a 2.5 per cent increase in premium income for the first half, as the Japanese industry recorded its lowest level of asset growth in the post-war period. Page 16

Market Statistics

Companies in this issue

Investment vehicle considers debt for equity rescue as trading slows at its food stores

Isosceles may face third refinancing plan



Alistair Mitchell-Innes: chief executive

By Roland Rudd in London

ISOSCELES, the heavily-indebted management buy-out vehicle for the Gateway food stores, is considering its third restructuring plan, only a month after its second was approved by shareholders.

According to one of its financial advisers, the group is "actively considering a debt into equity rescue plan" because of its inability to make significant inroads into debts of more than £1.2bn ($1.8bn).

Trading has deteriorated at Gateway, which has more than 600 outlets.

Isosceles is expected to announce in January that Gateway's operating profits for the half-year to November 9 have fallen to between £60m and £65m, against £93m in the comparative period.

The trading performance of Gateway's mainstream stores continues to be well below budget.

Any new refinancing would have to be agreed by Wasserstein Perella, which has an inbuilt majority of A shares giving it a veto over any new proposals.

One of the group's financial advisers said: "We would obviously hope to avoid a new refinancing package.

"Not only would it be very expensive but Wasserstein Perella's support is by no means guaranteed. But since the debt is still so high it has to be actively considered," he added.

The group's immediate problems stem from its inability to make asset sales to reduce borrowings.

Following last month's sale of its Wellworth subsidiary, the Northern Irish supermarket chain, Isosceles' net debt has fallen below £1.3bn.

Wellworth was sold for £122m, a price below earlier hopes.

But further delays in selling Herman's Sporting Goods, its US subsidiary, is likely to require agreement from the banks to defer principal debt repayments.

In the year to April, Isosceles wrote off £145m from the value of Herman's leaving its net assets at about £50m.

Only last month a buyer, believed to have been Odyssey, a New York based buy-out capital group, pulled out after being at an advanced stage of negotiations.

The group is still looking for buyers for Herman's, but is understood to be no nearer to pulling off a deal.

If Gateway's trading continues to deteriorate the group's banks may also be asked to waive covenants.

While Isosceles is not in breach of its covenants at the moment its financial advisers fear a breach could occur next January if the results are as bad as expected.

However, Mr Alistair Mitchell-Innes, who recently took over Mr Bob Willett's role as chief executive of Gateway, is understood to believe that Wasserstein Perella may have to be persuaded to agree to a third refinancing agreement.

Mr Mitchell-Innes, who is also chief executive of Isosceles and chairman of Gateway, hopes that Wasserstein Perella will recognise the depth of the problems and not block a debt to equity conversion if a third refinancing is needed.

French group for sell-off offers bleak prospectus

By Paul Abrahams in London

RHONE-POULENC, the state-owned chemical group that the French government is trying to privatise partially, has painted a bleak picture of its prospects in the US prospectus for the sell-off.

It says that conditions, already poor last year, deteriorated sharply during the third quarter of the current 12 months.

A number of divisions have been particularly hit by the slowdown. Sales of chemical intermediates such as soda ash and chlorine have been knocked by slowing demand and falling prices in European markets, according to the document. Management does not expect any significant improvement for this division before 1994, nor any improvement in prices until there are capacity cuts.

No improvement is expected at the fibres and polymers division, hit by price falls of 6 per cent during the first nine months. Management does not expect an amelioration in the division's operating profits before 1994.

The company's sales were also affected in the first nine months by the depreciation of the US dollar. The average value of the dollar fell from FFr5.67 during the first nine months in 1991 to FFr5.30 this year. This influenced prices of products manufactured in Europe competing against products exported from the dollar zone. Translation of US earnings into francs reduced Rhône-Poulenc's operating profits by about FFr250m ($46m).

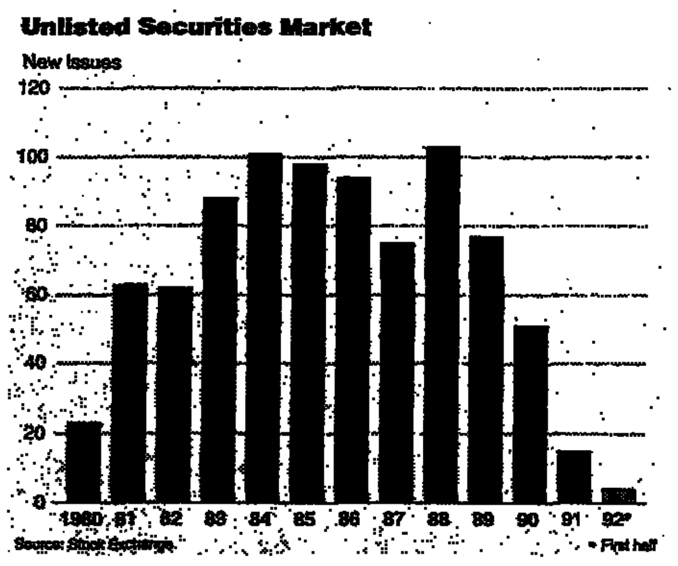
Agrochemicals sales will continue to be hit by the EC's new common agricultural policy for the rest of 1992 and 1993.

The prospectus also points out that under US regulations, Rhône-Poulenc's net debt to equity (including other funds) ratio deteriorated from 0.86 at September 30, 1991, to 0.95 at the same date this year. The group had hoped to reach a debt to equity ratio of 0.5 by the end of next year. Improving the group's debt position is one of its financial priorities for the coming years, says the document.

One bright spot is the performance of Rorer, the US drugs group in which Rhône-Poulenc owns a majority stake. Health-care operating profits increased 30.7 per cent during the first nine months to FFr3.53bn while operating margins increased from 13.1 per cent to 16 per cent.

The Stock Exchange seems set to recommend closing the USM. **Philip Coggan** reports

The lingering death of a whizzkid's haven



The Unlisted Securities Market has been suffering a slow, lingering death. Although it survived the crash of 1987, the recession of early 1990s has gradually drained liquidity and confidence from the market.

The Stock Exchange seems set to recommend the abolition of the market, with as many companies as possible transferring to the upper tier.

For a brief period in the mid-1980s, the market seemed to have become what it was designed to be; a thriving haven for budding British entrepreneurs.

The USM was founded in response to an age-old fear that the stock market was too inflexible to cater for the young, vigorous companies which could be the driving force of Britain's economic growth. The Wilson committee reported in 1979 that there was a "capital gap" facing companies which were too small for a listing and which did not want to rely on banking facilities.

The Stock Exchange was also concerned about the development of "over-the-counter market" trading in unlisted companies, and wanted to bring this area under its control.

There was something rather exciting about the establishment of this market; one of the first companies to join was Lord Hesketh's ambitious venture for building a British superbike.

The Hesketh business failed, but as the UK economy emerged from the early 1980s recession, the USM built momentum. From 23 companies at the end of 1980, the market grew to 268 by the end of 1984.

In the early years, the market's performance was dogged by a heavy concentration in oil and electronics companies. But as the bull market gathered pace, the speculative attractions of the market increased – the USM Index doubled between January 1 and October 16 of 1987.

The crash appeared to deal a grievous blow to the market. Overnight, liquidity in many of the shares disappeared; investors found they were simply unable to offload the stakes they bought when the market was rising.

However, there was some recovery in 1988 and 1989. UK corporate profits were still rising, and companies were able to float on the back of strong growth records. Analysts pointed to the "small company effect", whereby shares in such companies outperformed their larger brethren over long periods, and this encouraged investors to back flotations.

But the early 1990s recession was a body blow. Smaller companies tend to have a greater concentration of their business in the UK and thus were doubly hit by the fall in demand and the effect of high interest rates.

Small company shares have underperformed those of larger companies in each of the calendar years from 1989-1992.

The USM's smaller sibling, the Third Market, which was founded in 1987, was quick to bite the dust. The market, which was designed to cater for even smaller and younger companies, never really captured investors' imagination and was closed at the end of 1990.

What may have sealed the fate of the USM, however, was a change in the rulebook. When the USM was established, a five-year record was required before companies could join the main market, whereas USM companies had just a three-year minimum. In 1991, these requirements were reduced to three and two years respectively. Many companies seem to have decided that they might as well wait an extra 12 months and join the more prestigious senior tier.

Other small companies have chosen to be acquired by larger groups in a trade sale, rather than face the risks and expense of the flotation process. And many successful USM companies have been promoted to the main market, with weaker groups left behind on the junior tier.

The number of new issues has gradually dwindled. In the peak year, 1988, 103 companies joined the market. By 1991, there were just 15, and in this year's first half, only four.

The lifeblood of the USM has ebbed away. At the end of June, there were 326 companies on the market, with a total capitalisation of £5.08bn ($7.7bn), compared with 443 companies and a market value of almost £10bn at the end of September 1989.

And the USM has long since ceased to be an important means of capital financing for small companies. In 1988, companies on the market raised £308m from investors; that figure rapidly dropped to £45m in 1990, £11.6m in 1991 and £14.6m in the first half of 1992.

The value of customer business on the market has also fallen sharply – from £6.08bn worth of shares traded in 1987 to £1.43bn in 1991. As a consequence, several market-makers have decided to pull out of trading the shares of many smaller companies, as it was proving impossible to earn profits in the sector.

The Stock Exchange recently established a new system for trading illiquid shares, SEATS, but for many investors, the damage may already have been done. It will take a while before they will be prepared to take the risks of investing in small company shares again, even if USM stocks transfer to the main market.

Speculation about the USM's extinction has been commonplace in 1992. If most participants are able to transfer to the main market, few will shed any tears.

But perhaps if the USM dies, a small part of the once popular vision of an "entrepreneurial Britain" could die with it.

Russia changes direction of its radical reform

Economics Notebook

By John Lloyd in Moscow

The government of Russia is changing its economic course. It has proposed a fundamental change in direction, in which the emphasis on fiscal and monetary measures, given pride of place earlier this year, yields precedence to an underscoring of its effort to support industry, to stop the fall in living standards and to construct a "social" market economy.

This is an important shift. Whether or not it will be given a chance to work is a matter of politics, and the politics will be played out in public from tomorrow in the febrile forum of the Congress of Peoples Deputies – at the centre of whose deliberations will be the government and its performance.

Mr Yegor Gaidar, the acting prime minister, has striven to make clear in the past week that there is no desertion of radical reform. The direction is the market, an open economy and a stable currency – all conceived of as the indispensable economic infrastructure for a civil and democratic society. Yet while this new course is not a turning back, it is more than just a "correction".

The key text for the shift is a document of some thirty pages, called "A programme of urgent measures to lead the Russian economy out of crisis". It was completed eight days ago, and was drawn up by a commission of experts, one side of which was drawn from the government and headed by Mr Sergei Vassiliev, director of the Centre for Economic Reform; the other side of which was drawn from the Civic Union and the Russian Union of Industrialists and Entrepreneurs, headed by Mr Yevgeny Yasin, director of the latter organisation's expert institute. This is the written basis of the agreement between the government and the Civic Union – though it is clear that no broader political agreement is yet firm.

The document makes a spirited and too-rare claim for some success, pointing out that the conditions for market relations have at least been laid, that the queues have largely disappeared and that the trust of foreign countries has been retained. But it does not minimise the failures. Inflation is up to around 25 per cent a month. The rise in prices continues. The production fall shows signs of evening out, but has gone on longer and to lower levels than forecast. Many enterprises are on the verge of bankruptcy:the rouble has fallen to close to 500 to the dollar; foreign trade regulations change constantly.

In the long list of mistakes with which the programme begins, one theme is dominant: that is, that the government is not able to execute its will and has been absent from too many processes in which it should have been a main actor. It has not secured laws on bankruptcy and private ownership of land; it has not been able to stop illegal exports, and the illegal transferring abroad of vast amounts of hard currency. It has been helpless before a surge in crime and in the continued inertia and interference of the bureaucracy.

It is now deemed a mistake to have avoided what is now seen as a responsibility; that is, to support Russian industry; to give clear guidelines to the state companies; to take an active hand in the reconstruction of those which have good prospects; to subsidise and promote exports, and to define and support enterprises which could substitute for imports.

This theme is writ large in the main body of the programme. Central to it is this observation: "An objective account of our realities and analysis of the vast experience, both positive and negative, which we have acquired in the past year shows that in our real conditions we cannot just have a transition to a regulated market so much as *a regulated transition to the market.*"

In short, the government no longer expects individuals, enterprises and institutions to make their way to capitalism by unsupervised actions within a legal, monetary and fiscal framework. The Russian – or rather, post-Soviet – realities have been shown not to permit it. A market needs to be created: the creator can only be the state. To quote the programme again: "this means a strengthening of state power, and the raising of its efficiency".

This is a great deal to ask of a state as fractured and demoralised as the Russian one now is: furthermore, of one which has lost so much of its once grossly overcentralised power to other levels of regional and local bureaucracy, and to the enterprises. As the programme bitterly notes at one point, the enterprises usually keep the profits, passing on their debts to the state.

It is important to note that the programme does not abandon fiscal and monetary rectitude: on the contrary, it devotes several pages to a description of how it will be achieved. But it also says this: "to restore production and the living standards of the population, it is not possible to stop inflation quickly." (It later says that the aim is now to get inflation down to between 8 per cent and 10 per cent a month within six months.)

Further, it promises a lot of support – to the population's living standards, of course; to various sectors; to scientific institutions; to exporters. Only in one sentence does it promise the "regulated reduction of enterprises and branches which have no future". Clearly, to do all this and fight inflation is almost certainly too tall an order.

It is, in the end, only a programme. The interest is not in the detail but in the direction: the government is now prepared, in order to gain the support of the centrist block represented by Civic Union, to try its hand at constructing a viable corporatism, on the grounds that only through that will it be able to establish reform on a broad enough social base to make at least some of its objectives attainable.

It is not at all clear if this will go far enough. Like most such programmes, there is something in it for everyone: and without trust between the contracting parties, the fears of the Civic Union that the current government would be much keener on the monetary and fiscal instruments than on the apparatus of industrial planning could be well grounded.

The next days and weeks will see how far this new course is a political tactic, or a real economic strategy.

Study sees fault with bank loan covenants

By Andrew Jack in London

BRITISH BANKERS may have shown financial naivety when setting conditions for loans with companies, an academic study suggests.

The current definitions in loan agreements between companies and banks of ratios such as minimum net worth, interest cover or gearing are open to widespread manipulation, the study found.

The conclusions come in an analysis of bank loan covenants by Mr David Citron, a lecturer in accounting at City University Business School in London.

Most banks attempt to safeguard their loans with performance linked to key financial ratios, yet while the definitions are legally watertight most leave enormous scope for creative accounting by managers determined not to breach these ratios.

In a survey of 29 leading lending institutions, Mr Citron found that for loans over £1m ($1.5m) more than two-thirds have financial ratio covenants, rising to an even greater proportion for unsecured loans or for those to companies with high gearing.

In a separate analysis of 25 bank loan contracts and 13 contract templates, he found few of the ratios were directly linked to performance.

Overall, he concludes: "Some items are accepted as presented in the accounts, thus leaving some scope for manoeuvre through a choice of appropriate accounting methods."

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November 1992

UK insurers may get tax benefit

By John Gapper

THE GOVERNMENT is reconsidering the tax treatment of insurance companies after complaints from British insurers that they are penalised more heavily than European counterparts, it was disclosed yesterday.

The Inland Revenue said it was considering whether the competitive position of British insurers was being penalised by the fact that they are not allowed to deduct tax on equalisation reserves made against future claims.

The Association of Insurance and Risk Managers in Industry and Commerce said it had received a letter from Mr Stephen Dorrell, financial secretary to the Treasury, saying that the government was re-examining the tax position.

Mr Dorrell's letter said the Inland Revenue was looking at the treatment of equalisation reserves. "If some change is called for, we will consider whether this can be achieved without causing unacceptable distortions," he said.

Mr Roger Miller, executive director of Airmic, said the association ovhad put forward a number of arguments for changes.

Airmic believes the government should make equalisation reserves tax deductible. This would allow insurance companies to reduce taxable profits by setting aside sums to pay for future catastrophic claims.

It wants to prevent discounting for tax purposes on long-term insurance provisions. This would stop taxation of investment sums set aside to pay for specific future claims.

Mr Miller said in a letter to Mr Norman Lamont, the chancellor, that the British insurance industry was being penalised because European companies were allowed more favourable tax treatment.

He said Airmic regarded "the stability, competitiveness and solvency of the British insurance industry as vital to the interests of the whole of British industry. Export earnings would rise if there was a "level playing field" in taxation.

Mr Dorrell said in his reply that differences in accounting methods in other EC countries meant there were good reasons why discounting did not arise as a tax issue elsewhere in the way in which it did in Britain.

Granada aims to sustain computer recovery

Alan Cane on its battle with manufacturers for maintenance work

LOOKING after other people's computers seemed a promising diversification for Granada in the mid-1980s when the television and leisure services group was "dashing for growth".

Europe's computer users were then spending about $10bn a year on maintenance. Computer manufacturers, then as now, took the lion's share, but there was just under $1bn for independent, or third party, maintenance organisations to compete for. The sector was growing at about 15 per cent per annum, well ahead of most other services businesses.

A string of acquisitions costing some £200m gave Granada instant market leadership in Europe, but the prospective gold mine quickly became a disaster. It failed properly to integrate the new division and in 1991 losses were £7.7m on revenues of £200m. Cash was bleeding out of the division at an appreciably faster rate.

The computer services division's problems were compounded by the recession and difficulties in other parts of the group, including a heavy debt burden leading to sharp falls in both revenues and profits for the whole organisation. Mr Derek Lewis, the former Granada chief executive who was closely associated with the move into computing services, lost his job, the most public victim of the debacle. Now, under a new chairman, Mr John Curran, and after extensive surgery to bring overheads in line with sales expectations, Granada Computer Services seems back on track.

It turned in pre-tax profits of £4.3m on revenues of £77.2m at the half-way stage, compared with a £3.6m loss last year. The group is due to report full-year results on Wednesday. Earlier this year the division secured a key contract with British Aerospace worth £12m over three years. As Mr Curran notes, it was not the value of the contract but the boost to the morale of the organisation that was important.

Mr Curran is a 46 year old US-born computer industry veteran, in a business where experience, track record and connections are vital. Formerly with Mobil Oil, National Advanced Systems and Control Data, his later career has included a spell as consultant specialising in turning around ailing companies.

Granada Computer Services was certainly ailing. It was formed between 1986 and 1988 by the acquisition of Computer Field Maintenance, SMS, Mainstay, DPCE and Wigo, all well respected companies. But Mr Curran arrived to find an uncoordinated group of separate organisations, wracked by internal strife with multiple management systems, heavy overheads and no economies of scale. Support operations were replicated; each group had its own training centres.

The individual companies were first class; DPCE and Computer Field had been pioneers in breaking the stranglehold the manufacturers had over computer maintenance. Granada's newly imposed management layer, however, lacked knowledge or experience of the maintenance side.

John Curran: boost to morale that was important

Mr Curran moved swiftly once he believed the division could be salvaged. He brought in trusted senior managers from his previous existence and sacked 20 per cent of the 3,000 workforce in one week. It cost a one-off £15m but prepared the ground for this year's return to profitability.

But can it be sustained? The maintenance battleground has changed significantly over the past four years. Attempts to build thriving businesses on the back of computer maintenance – notably Ferranti Computer Services – have failed.

The European market for computer maintenance is still about $10bn – prices have fallen sharply – but growing at only about five per cent per year. There is renewed competition from the big hardware manufacturers, International Business Machines, Digital Equipment and now, the Japanese. Olivetti of Italy is also a leading player in maintenance but chiefly in the mid-range system area, while Granada is focused on mainframes and personal computers.

The manufacturers are powerful – IBM's maintenance revenues alone top more than $4bn annually – and are well placed to use price as a competitive weapon. They are aggressively seeking to replace falling hardware sales with services revenues. Granada remains the independent European market leader with sales of about $300m, substantially bigger than the next largest independents Thomainfor (a subsidiary of Thompson CSF), Sorbus (owned jointly by ICL and Bell Atlantic) and Getronics of the Netherlands.

Mr Curran's strategy for the future is based on two concepts: multi-vendor support and partnerships.

The big manufacturers, he reasons, are hard to beat on their own ground – servicing machines of their own manufacture where they have a natural advantage. But today many large customers buy their equipment from a diversity of manufacturers and are building multi-vendor networks of workstations and departmental computers to distribute computer power through their organisations.

They are seeking a single partner who will take responsibility for ensuring that everything works efficiently together. But manufacturers' expertise tends to be limited to their own equipment. That, Mr Curran says, is where Granada's broad skills count: "What we are good at is complexity management". It will, however, need to beef up software skills to be completely convincing.

The company believes that partnerships and alliances are the way ahead, especially with the growth of "outsourcing", where a company passes over its data processing operations to a third party against an agreed level of service.

The leaders in outsourcing in Europe include EDS-Scicon, Cap Gemini Sogeti and Sema Group. Granada is keen to form partnerships with companies like these with a view to offering a complete computing service – facilities management plus maintenance in one package.

Granada Computer Services will have to develop its US business to become the global player that Mr Curran envisages, but all the parts of the operation seem at last to be pulling in the same direction. Last year it was at the centre of Granada's financial woes; this year it should prove a foundation for its profitability.

Brown & Jackson disposal

By Christopher Price

BROWN & Jackson, operator of the Poundstretcher chain of discount stores, has disposed of its remaining 25 per cent stake in Advanced Technology Industries for £550,000.

This ends a particularly painful episode for Brown & Jackson and confirms the new management's policy of concentrating on core retail discount activities.

The majority share in Advanced Technology, a security alarm manufacturer, was acquired in 1988. It was transferred back to its original owner, Limelight Group, earlier this year on agreement to drop claims to nearly £11m of the original purchase price.

A review by brokers Henry Ansbacher found that up to 40 per cent of ATI profits between 1988 and 1990 may have been questionable. Renumeration to former owners was based on profits earned in that period.

Alexanders makes £1m write-downs

By Christopher Price

ALEXANDERS Holdings, the car sales and leasing group, has revealed accountancy discrepancies which have led it to make write-downs of over £1m.

Alexanders announced on Friday that Sharles, the group's auditors, had resigned two weeks ago and that Clark Whitehill has been appointed to the position. It is believed that an independent report by Clark Whitehill brought the discrepancies to light.

These included premises which the Alexanders board said should have been valued at £370,000, which instead had a book value of £788,000. An extraordinary charge of £418,000 is to be made in the restated accounts for the year ended September 30 1991.

A provision of £700,000 is also being made against its contract rental business, most of which relates to the period ended September 30 1990.

Alexanders' shares, plunged 5p to 12p on Friday. The group, which is the main Ford dealer in Scotland, is controlled by the Clayton family which has over 50 per cent of the shares.

German subsidiary drags Kewill into midway loss

By Alan Cane

HIGH COSTS and poor sales at one German subsidiary forced Kewill Systems into a small loss midway and cast a pall over prospects for the full year.

The Surrey-based computing services company, which markets a portfolio of manufacturing and accounting software products, incurred a pre-tax loss of £172,000 for the half year ended September 30, compared to a profit of £1.7m.

Turnover fell from £21.46m to £15.42m, reflecting the continued shrinking of Weigang, one of the German companies, and a movement away from hardware distribution in Europe.

Losses per per share amounted to 3.58p (earnings 13.56p).

Mr John Overstall, chairman, said once the Weigang situation had been resolved the company would apply to the Court to approve a capital reduction to eliminate the deficit on distributable reserves.

He said most of the operations had continued steadily. Triffid Software, in particular, had contributed £600,000 of UK operation's total pre-tax profits of £1m. Han Dataport, the other German subsidiary, made £500,000.

Weigang lost £1.3m, however, after a sharp fall in orders at the end of 1991. Interest costs rose to £413,000 (£279,000).

Mr Overstall said marketing efforts had been stepped up in Germany and staff at Weigang should be reduced to 29 people by April next year. The company still retained some 400 German customers and should break even next year.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
PepsiCo (US)	Knoor Elorza (Spain)	Soft drinks	£212m	Doubling local market share
Ciba-Geigy (Switzerland)	Unit of Fisons (UK)	Consumer health	£93m	Fisons starts disposals
Illinois Tool Works (US)	Siddons Ramset (Australia)	Hardware	£39m	Rival to BBA bid
Waste Management Intl (US/UK)	Environnement service (France)	Waste management	£29m	Rapid French expansion planned
Unilever (UK/Holland)	Lipton India (India)	Food	£8.6m	Raising stake to 51%
Allianz (Germany)/ Banco Bice (Chile)	Allianz Bice Cia de Seguros de Vida (JV)	Insurance	£6.6m	50/50 venture
Sentrachem (S Africa)	Chemplex (Australia)	Chemicals	n/a	SA overseas buys continue
Philips (Holland)/ Thompson (France)/Sagem (Japan)	Joint Venture	Electronics	n/a	Active LCD venture
Lloyds Bank (UK)	Rural Bank New Zealand	Banking	£154m	Fletcher Challenge disposal
Sara Lee (US)	Unit of BP (UK)	Food	n/a	Negotiations advanced overseas buys continue

CITICORP
U.S. $350,000,000
Subordinated Floating Rate Notes Due November 27, 2035
Notice is hereby given that the Rate of Interest has been fixed at 5% in respect of the Original Notes and 5.0875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date December 31, 1992 against Coupon No. 85 in respect of US$10,000 nominal of the Notes will be US$43.06 in respect of the Original Notes and US$43.81 in respect of the Enhancement Notes.
U.S. $500,000,000
Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date December 31, 1992 against Coupon No. 86 in respect of US$10,000 nominal of the Notes will be US$43.06.
U.S. $500,000,000
Subordinated Floating Rate Notes Due January 30, 1998
Notice is hereby given that the Rate of Interest has been fixed at 5% and that the interest payable on the relevant Interest Payment Date December 31, 1992 against Coupon No. 83 in respect of US$10,000 nominal of the Notes will be US$43.06.
U.S. $350,000,000
Subordinated Floating Rate Notes Due August 14, 2011
Notice is hereby given that the Rate of Interest has been fixed at 4% p.a. and that the interest payable on the relevant Interest Payment Date February 26, 1993 against Coupon No. 26 in respect of US$10,000 nominal of the Notes will be US$97.78 and in respect of US$250,000 nominal of the Notes will be US$2,444.44.
U.S. $500,000,000
Subordinated Floating Rate Notes Due May 29, 1998
Notice is hereby given that the Rate of Interest has been fixed at 4% and that the interest payable on the relevant Interest Payment Date February 26, 1993 against Coupon No. 27 in respect of US$10,000 nominal of the Notes will be US$97.78, and in respect of US$250,000 nominal of the Notes will be US$2,444.44.
November 30, 1992
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Italian Lire 100,000,000,000
CREDIOP S.p.A.
CREDITO PER LE IMPRESE E LE OPERE PUBBLICHE SOCIETA PER AZIONI
Credito per le Imprese e le Opere Pubbliche Societa per Azioni
Floating Rate Notes Due 2001
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from November 30, 1992 to May 28, 1993 the Notes will carry an Interest Rate of 13.60% per annum. The amount of interest payable on May 28, 1993 will be Italian Lire 66,695,890 per Italian Lire 1,000,000,000 principal amount of Notes.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
CHASE
November 30, 1992

NOTICE OF REDEMPTION
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
Washington, D. C.
("IBRD")
IBRD 6.6% Japanese Yen Bonds of 1985 Due 1995 (Thirty-second Series) (the "Bonds")
We hereby notify holders of the above Bonds that on January 10, 1993 (payment day will be on January 11, 1993), the entire outstanding amount of the Bonds is to be redeemed pursuant to Condition 17 of the Bonds by IBRD exercising an optional redemption right of 50 billion yen (optional redemption price: 102%).
Paying Agents: With respect to definitive bonds, the principal of and interest on the Bonds are payable at any of the paying agents mentioned thereon. With respect to recorded bonds, the payment shall be made at the paying agent designated in the application for the recording of the Bonds.
The Industrial Bank of Japan, Limited
as Representative Commissioned Company for the Bonds
30th November, 1992

PT PABRIK KERTAS TJIWI KIMIA
U.S.$50,000,000
Notice is hereby given that the Rate of Interest under the Interest Payment Certificate has been fixed at 4.1875% p.a.
Together with the 1% interest under the Bond Certificate, the total interest payable on the relevant Interest Payment Date June 1, 1993 in respect of U.S.$250,000 nominal of the two Certificates will be U.S.$6,592.45.
November 30, 1992
By: Citibank, N.A. Hong Kong, Agent Bank
CITIBANK

ECU 200,000,000
Caisse Centrale de Cooperation Economique
Floating Rate Notes due 2006
For the period from November 30, 1992 to February 26, 1993 the Notes will carry an interest rate of 10⅛% per annum with an interest amount of ECU 258.19 per ECU 10,000 and of ECU 2,581.94 per ECU 100,000 Note.
The relevant interest payment date will be February 26, 1993.
Agent Bank:
Banque Paribas Luxembourg Société Anonyme

New Zealand
£200,000,000
Floating Rate Notes 1997
In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 26th November, 1992 to 26th February, 1993 the Notes will bear interest at the rate of 7 5/16 per cent. per annum. Coupon No.30 will therefore be payable on 26th February, 1993 at £921.58 per coupon from Notes of £50,000 nominal and £92.16 per coupon from Notes of £5,000 nominal.
S.G.Warburg & Co. Ltd.
Agent Bank

European Investment Bank
Yen 35,000,000,000
Floating rate notes due 2008
Notice is hereby given that the notes will bear interest at 3.6625% per annum from 30 November 1992 to 28 May 1993. Interest payable on 28 May 1993 will amount to Yen 910,538 per Yen 50,000,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Wells Fargo & Company
US$200,000,000
Floating rate subordinated notes due 2000
In accordance with the provisions of the notes, notice is hereby given that for the interest period 30 November 1992 to 31 December 1992 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 31 December 1992 will amount to US$45.21 per US$10,000 note and US$226.05 per US$50,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

Bank of Tokyo (Curaçao) Holding N.V.
U.S. $100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997
Payment of the principal of, and interest on, the Notes is unconditionally and irrevocably guaranteed by
The Bank of Tokyo, Ltd.
(Kabushiki Kaisha Tokyo Ginko)
In accordance with the provisions of the Agent Bank Agreement between Bank of Tokyo (Curaçao) Holding N.V., The Bank of Tokyo Ltd., and Citibank, N.A., dated November 27, 1985 notice is hereby given that the Rate of Interest has been fixed at 4.1375% p.a. and that the interest payable on the relevant Interest Payment Date, February 26, 1993 against Coupon No. 29 will be US$101.14.
November 30, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank. CITIBANK

INTERNATIONAL BusinessWeek
This week's topics:
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Blood, Sweat, Dracula -- $100 Billion
How AIG Leads The Insurance World
British Telecom Finds A Focus
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Residential Property Securities No. 1 PLC
£200,000,000
Mortgage Backed Floating Rate Notes 2018
The rate of interest for the three month period 26th November, 1992 to 26th February, 1993 has been fixed at 7.60 per cent. per annum. Coupon No. 19 will therefore be payable on 26th February, 1993 at £1,915.62 per coupon.
Aggregate interest charging balances of Mortgages redeemed during the previous Interest Period: £4,725,084.25
Aggregate interest charging balances of Mortgages redeemed as at 26th November, 1992: £200,609,895.77
The aggregate principal amount of Notes outstanding as at 26th November, 1992: £110,900,000
S.G.Warburg & Co. Ltd.
Agent Bank

First Bank System, Inc.
US$200,000,000
Subordinated Floating Rate Notes due 2010
Notice is hereby given that for the interest period 30 November 1992 to 26 February 1993 the notes will carry an interest rate of 5.25% per annum and that the interest payable on the relevant interest payment date 26 February 1993 will amount to US$128.33 per US$10,000 note and US$3,208.33 per US$250,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

TSB Hill Samuel Bank Holding Company plc
(Formerly Hill Samuel Group plc)
US$75,000,000
Perpetual floating rate notes
For the period from 30 November 1992 to 28 May 1993 the notes will carry a rate of interest of 5.25% per annum. Interest payable on 28 May 1993 will amount to US$261.04 per US$10,000 note.
Agent: Morgan Guaranty Trust Company
JPMorgan

YOKOHAMA ASIA LIMITED
(Incorporated in Hong Kong)
U.S.$100,000,000
GUARANTEED FLOATING RATE NOTES DUE 1997
Unconditionally and irrevocably guaranteed by
THE BANK OF YOKOHAMA, LTD.
(Incorporated in Japan)
Notice is hereby given that the Rate of Interest for the initial interest period has been fixed at 4.125% per annum and that the interest payable on the relevant Interest Payment Date February 26, 1993 against Coupon No. 30 in respect of US$10,000 nominal of the Notes will be US$100.83 and in respect of US$250,000 nominal of the notes will be US$2,520.83.
November 30, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

HENDERSON UNIT TRUST MANAGEMENT LIMITED
Announce with effect from 27th November 1992, HENDERSON GLOBAL TECHNOLOGY EXEMPT TRUST has been merged following an approved Scheme of Amalgamation into HENDERSON AMERICAN SMALLER COMPANIES TRUST.
Holders of Henderson Global Technology Exempt Trust units will receive 1.2818 units in Henderson American Smaller Companies Trust for every unit held.

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COMPANY NEWS: THE KUWAIT INVESTMENT OFFICE

KIO in Spain: where did the billions go?

THE Kuwait Investment Office (KIO), the external treasury of the Kuwaiti government, has long had a reputation as one of the world's most powerful, conservative and secretive investing institutions. But in recent months, it has found itself at the centre of a growing storm concerning the management of its multi-billion dollar investments in Spain.

The affair has brought the KIO's investment empire in Spain to the brink of collapse. It has provoked a bitter row between the current KIO management and some of Spain's leading banks and businessmen and has stirred unprecedented criticism of the office's activities in Kuwait itself. It may be about to erupt in litigation, which threatens to throw an unwelcome spotlight on the way Kuwait and its rulers manage their oil wealth and it could further damage the KIO's reputation in the financial world.

The KIO says that although it has invested up to $4bn in Spain since 1986, it has seen no return. It also says it now finds itself owing around $3bn to creditors in Spain, and Salomon Brothers, the US investment bank, has told it that its Spanish holding company, Grupo Torras, which last year lost $440m, has a *negative* net worth of more than $500m. Billions of dollars, the KIO claims, are missing. "It is very clear that there has been a major misappropriation of funds in Spain," says Mr Mahmoud al-Nouri, the new chief executive of Grupo Torras.

Much remains unclear, amid the welter of charge and counter-charge, about exactly what has gone wrong for the KIO in Spain. Former KIO managers who directed the investment drive into Spain and their Spanish business partners, with whom the new KIO management is now at loggerheads, have a simple explanation. They insist their initial investments were highly profitable, and that the office's Spanish empire only fell into loss as a result of the 1990 Iraqi invasion of Kuwait and the sharp slowdown of Spain's economy.

By contrast, their successors who took over last spring, accuse them of having violated the office's conservative investment guidelines by building up a portfolio overloaded with industrial assets that required KIO to take an unfamiliar direct managerial role.

Certainly, the office's investment strategy in Spain differed dramatically from the approach with which it has been traditionally associated – namely, that of a discreet investor in blue-chip international companies such as Daimler-Benz, Metallgesellschaft and Midland Bank.

KIO spent $3.4bn over the past six years to build up a huge industrial conglomerate, Grupo Torras, according to KIO and Torras records. By the time the new KIO management came in last May, Torras employed more than 30,000 people and controlled Spain's largest chemical group, Ercros; its largest paper producer, Torras-Papel; its biggest foods group, Ebro; and its third largest property developer, Prima.

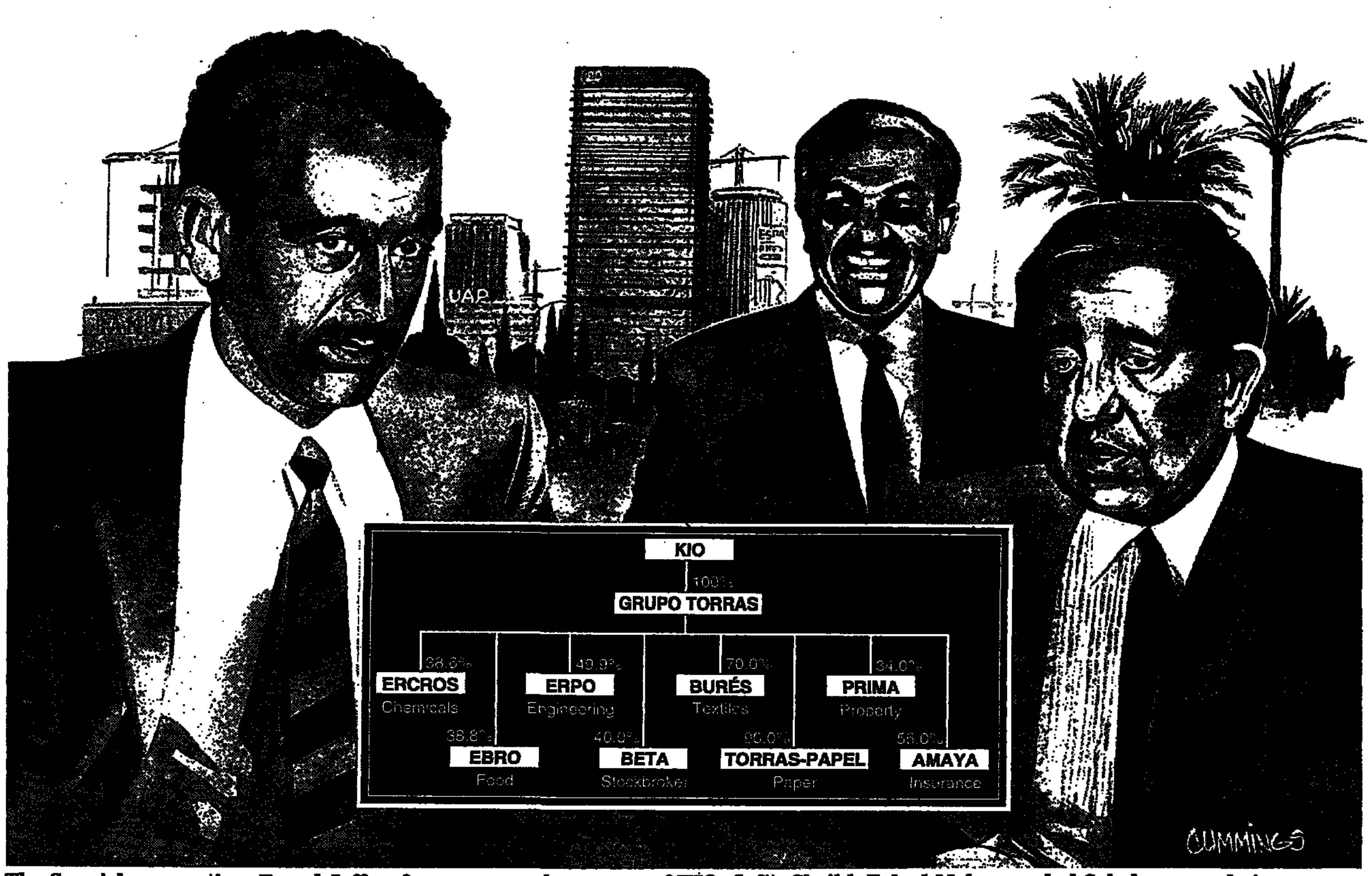
The KIO's Spanish adventure was run out of the office's London headquarters by a small circle of senior KIO managers: Sheikh Fahad Mohammed al-Sabah, chairman for more than 20 years and a cousin of the Emir of Kuwait; Fouad Jaffar, general manager; and the KIO's two most senior British managers, Trevor Ball and Bruce Dawson.

The story starts in the early 1980s, when the KIO – as investor of the oil revenues accumulated in Kuwait's Reserve for Future Generations, a sort of national pension fund – was trying to diversify.

In 1983, KIO staff suggested that the office look at Spain, which was set for strong economic growth as European Community entry approached. A year later Bruce Dawson was introduced to a small Catalan packaging producer, Inpacsa, that was in need of fresh capital. Inpacsa's biggest creditor was Banco Garriga Nogues, an affiliate of one of Spain's main commercial banks, Banesto. Dawson met the head of Garriga Nogues, an ambitious Catalan named Javier de la Rosa, and decided to spend $30m on buying control of the packaging company, insisting that De la Rosa stay on the board.

That was in November 1984. Before doing the deal, the KIO had run a check on the young banker. It found: a sharp financial brain, a family scandal – his father had fled the country after being accused of defrauding the Barcelona authorities in a land development – and a looming disaster at Banco Garriga Nogues.

During Spain's banking crisis in the early 1980s, Banesto had passed a number of its riskier loans on to Garriga Nogues, in addition De La Rosa



The Spanish connection: Fouad Jaffar, former general manager of KIO, (left); Sheikh Fahad Mohammed al-Sabah, an ex-chairman of the investment office and also a cousin of the Emir of Kuwait and Javier De La Rosa, an ambitious Catalan businessman

had promoted a costly agricultural development that had turned sour. Garriga Nogues collapsed in 1986 with bad debts of $800m.

"We knew De la Rosa was in trouble," says a former KIO manager, "and we obviously had a maverick on our hands. He was always slightly paranoid, but very likeable."

By 1985 De la Rosa had left Garriga Nogues and begun a private investment career in Barcelona, with his own company, Quail Espana. While on holiday on the Costa Brava he met Fahad al-Rashid, chief executive of the Kuwait Investment Authority (KIA) – the body that in theory controls the KIO. The two hit it off and De la Rosa began dealing shares in Spain for the KIA.

In 1985 De la Rosa also met Jorge Nunez, managing director of another troubled Catalan paper company, Torras Hostench. Torras, a publicly quoted company, had suspended payments to its creditors under Spanish insolvency proceedings, but nevertheless had cash reserves of $204m. De la Rosa persuaded Bruce Dawson to take a look at the company. With the approval of the KIA, the KIO took control of a 40 per cent stake in Torras. With its cash reserve, Torras then bought Inpacsa, generating a 100 per cent profit for the KIO.

The Kuwaitis had "arrived" in Spain. In March 1987 Sheikh Fahad became chairman of Torras. Fouad Jaffar, Bruce Dawson and De la Rosa became deputy chairmen, and Nunez remained chief executive.

The KIO's investments in Spain became a torrent. Within two years the office had built up the biggest industrial group in the country not owned by the government or by a bank. Just a year ago, Peat Marwick, the KIO's auditors, valued these and other KIO-controlled assets at between $2.9bn and $4.4bn.

This sort of aggressive investment spree was a new departure for the KIO, and not everybody in the Kuwaiti government or in the office itself was happy about it. Some of the criticism focused on the role of Kuwait's ebullient and energetic oil minister, Sheikh Ali Khalifa al-Sabah, a cousin of the emir and a first cousin of the KIO chairman.

The KIO bosses did not agree. Worries about the Spanish adventure, says one former KIO manager were "stupid". "We were a risk-taking organisation and we were making hundreds of millions of dollars with De la Rosa."

The question is: where did the profits go? Until now, that has been the central mystery to all but those most closely involved in the affair. The FT, however, has uncovered the answer: the government's Future Generation account was only partially involved in the creation of KIO's Spanish industrial group. In other words, the small group running the operation from London was investing from external accounts which the office managed on behalf of other

Over six years the Kuwait Investment Office invested up to $4bn in building an industrial conglomerate in Spain. It says it has seen no return on the money and large sums are missing. **Peter Bruce** investigates an affair that has caused a storm over how Kuwait manages its oil wealth

Kuwaiti corporate and private clients.

In part the use of external accounts was a matter of convenience for the KIO. Had it entered Spain declaring itself a sovereign investor on behalf of the Future Generation Reserve, it might have been subject to close supervision by the Spanish government.

But the external accounts also served as a vehicle by which the KIO's clients could take profits they made on share dealing in Spain offshore and avoid tax. This diversion was to become one source of the conflict between the KIO's new and former managers.

The external accounts were run by Trevor Ball, who reported on them directly to Sheikh Fahad. They invested through a number of specially established offshore companies, mostly registered in Switzerland. Peat Marwick, the KIO's auditors, identified some of these investment vehicles last year: GSM Securities Management, Montrex and BPS. It appears that it was these accounts, not the Future Generations account, that took the bulk of the profits generated by the KIO in Spain.

An internal KIO memo, dated May 14 1990, shows how. It says the Future Generations account had made, until then, just $24m on share dealing in Spain while "managed funds", the external accounts, had made $231m. That is probably an understatement, as the memo's author was a junior and not privy to all the secrets.

On whose behalf were the external accounts being run? According to several well-placed sources, some very important investors indeed. One of the accounts, known inside the KIO headquarters as number 11-A, is said to have contained the private investments of a senior Kuwaiti politician. It would not be surprising. Ex-KIO employees are convinced that the office would routinely invest on behalf of ministers or of the ruling family.

The new KIO management does not deny it was running external accounts in addition to the Future Generation account; it says simply that the office's constitution allows it to invest any funds the government tells it to.

The external accounts played a crucial role in the construction of Grupo Torras. They were used to build big stakes in target companies whose stock (like most of the Spanish market) was thought to be ripe for big gains. In all this the key player was De la Rosa, who was given a highly lucrative contract that put him in management control of Torras.

At the time, only a few people understood exactly what was going on. They may not even have included Grupo Torras itself, which last year asked auditors Peat Marwick to map out how the KIO had operated. It reported in October 1991, as follows: The office would follow advice from De la Rosa and buy into a stock in the name of the external accounts. Then, as the share price rose on rumours of KIO's purchase, it would quickly sell the stock on to Torras at a profit. Torras, which had in July 1987 launched a $550m rights issue, would pay for it with this money or bank loans, thus leaving debt onshore while profits were taken by the external accounts in tax havens.

In one example, Peat Marwick found that in the second quarter of 1987 GSM Securities Management bought 119,498 shares of the sugar refiner, Ebro, on the markets for $9.8m and a few weeks later sold the same shares to Torras for $19m. By one informed reckoning, the KIO's various accounts took $1.5bn of profits out of Spain.

The benefits to the holders of the external accounts were obvious; the advantages to Torras, which was in effect being force-fed shares, less so – at least with hindsight. The hope all along was that Torras would grow into a thriving industrial empire on the back of Spain's economic boom, and be able to repay its borrowings later by selling off assets to hungry local and foreign investors. Sadly, this was not how events were to turn out.

By the end of 1989 the office began to show signs of fatigue. It was also coming under great pressure from Kuwait to improve its reporting to the KIO executive committee, presided over by the KIA, which had become nervous about the publicity the Spanish investments were attracting.

Investors were also becoming disenchanted with Torras. It had become an almost impossibly unwieldy conglomerate, with an insatiable appetite for rights issues. Its stock price languished accordingly.

All this spelt problems for the Kuwaitis, who had become anxious to speed up the sale of some Torras assets in order to repay group borrowings. The KIO's solution, decided on by its executive committee in December 1989, was to take Torras private. "This should be considered as a first step," the minutes of the meeting say, "towards reducing our investments in Spain through the sale of some of Torras's assets with a guaranteed profit."

The delisting took place at the end of that month, but it did not go smoothly. Torras offered its shareholders a mixture of cash and shares in its Prima property group. Unfortunately, these shares – like many in the group – were seriously overvalued. Beta Capital, KIO's brokers, had earlier warned that the price of the Prima shares would somehow have to be "guaranteed" if the operation was to work.

Thus, a massive price support operation was set in motion to absorb Prima shares after Torras had been taken private. Soon after the Torras "privatisation", about 40 per cent of Prima suddenly appeared in the hands of companies controlled by people and institutions close to KIO – Fouad Jaffar and Gerald Hines, a US property developer who did a lot of business with the Office, took about 14 per cent between them. KIO's advice was that this share support operation was perfectly legal under Spanish law.

It was not the only such operation. In 1989 De la Rosa had registered a stake of about 18 per cent in Torras, and, later, one of about the same amount in Ercros, under his own name. The support operations were vital to Torras because its stock and that of its affiliates was being used as collateral to attract bank loans.

But if the delisting of Torras was supposed to be the start of a slow withdrawal from Spain – paying off accumulated bank debt with profits from disposals – the strategy went badly wrong. First, criticism of the KIO's activities back home in Kuwait had reached such a pitch that Fouad Jaffar was forced – in March 1990 – to resign as general manager, leaving Sheikh Fahad in day-to-day control.

Then came Iraq. Saddam Hussein's invasion of Kuwait in August 1990 was a catastrophe for the KIO as well as for the emirate itself. Suddenly, the Kuwaitis needed cash, and this would have to be generated through the sale of many of KIO's bluest-chip assets.

More specifically, the Iraqi annexation was also a serious blow to the KIO in Spain. It stopped the Torras disposal strategy and diverted the office's attention from what was becoming a financial crisis in its Spanish empire.

Torras began to disintegrate. Following the invasion no investor would touch a KIO company. With the value of their collateral thus threatened, the Torras group's creditor banks began to call in their loans. For the first time, Torras was forced to ask for a direct cash injection from the KIO – of $400m. A few months later it was to ask for a further $1.3bn. "Had it not," says a Torras memo at the time, "Torras would obviously have had to declare bankruptcy."

To make matters worse, the KIO is alleged to have sought to use Torras – one of the few substantial companies in the world in which it exercised complete management control – as a source of funds for the emirate's war effort. Former KIO managers claim that up to $500m was channelled from Torras to the exiled Kuwaiti government – although the new KIO management says this money has not been accounted for and that it regards it as missing.

"Torras was the only way the Kuwaitis could get at their money early in the crisis," says a former KIO manager. "It's incredible that the new management should expose one of the best covert operations of the war."

The KIO had become the government-in-exile's only source of funds and it was being run, effectively, by Sheikh Ali Khalifa, by then finance minister, and Sheikh Fahad. Together with Trevor Ball and Bruce Dawson, these two men directed the financing of the war, discreetly selling stock around the world to pay huge bills being demanded by the US and its allies.

The liberation of Kuwait brought great changes to the emirate, mostly centred on diminishing the power of the Emir. One of those changes was a new cabinet and one of the biggest heads to roll was that of Ali Khalifa. His replacement as finance minister, Nasser Abdullah al-Rowdan, quickly set about counting what Kuwait had left. The Reserve for Future Generations, worth $75bn before the war, had been cut in half.

The most obvious haemorrhage was in Spain, and the new finance minister began to lobby for Sheikh Fahad's removal as KIO chairman. That was achieved this February, when he was replaced by Ali-Rashid al-Bader, chairman of the troubled Bank of Kuwait and the Middle East. The KIO had changed too. Trevor Ball died in 1991. Fahad al-Sabah is pensioned off and lives in London, as does Fouad Jaffar. Bruce Dawson has retired.

In May, al-Bader appointed a close friend, Mahmoud al-Nouri, to run Torras and De la Rosa resigned. From that moment on, al-Bader and al-Nouri have turned the heat up on the old team at the KIO and Torras. They ordered Torras's auditors, Coopers & Lybrand, to rework the Torras 1991 accounts, valuing assets at market value and not at cost, which turned a tiny profit last year into a $440m loss.

Both men are clearly convinced that money was misappropriated in Spain, though they say they do not yet fully understand how. The KIO's lawyers, Stephenson Harwood, and Peat Marwick have just completed a long investigation into the Spanish investments and the Kuwaiti government is considering whether to bring legal action against De la Rosa, Jaffar and Sheikh Fahad. "Our findings point to what appear to be significant irregularities," says Kenneth Bonavia, Stephenson Harwood's partner in Spain.

The current KIO management's complaints of irregularities in its Spanish investments are twofold: first, that the office has never seen profits from Spain; and second, that the large direct transfers from the KIO to Spain after the Iraqi invasion of August 1990 have disappeared.

From the FT's inquiries it seems that the first complaint is at best disingenuous: the KIO's own documents show that it recorded profits from Spain being transferred to external accounts offshore, and this was later confirmed in Peat Marwick's report.

The second charge is more contentious. Former KIO managers, defending themselves against accusations of impropriety, say monies transferred from the KIO to Torras were swallowed up by the group's losses, resulting from its debt burden, from increasingly difficult trading conditions in Spain, from the problems created by the Iraqi invasion of Kuwait, and from the operation to support Torras shares. The current KIO management is contesting the legality of some of the share support operations, although it has repaid a portion of the bank loans which financed them.

Any legal action could embarrass powerful figures in Kuwait and expose the fact that the Office was investing in Spain on behalf of Kuwaiti third parties. Indeed, as allegations have rained on De la Rosa, he has begun to threaten retaliation. In a statement last week his spokesman said that he had so far remained silent so as not to "damage the KIO by obliging it to open its books" in court.

If the new KIO bosses have found a mess in Spain, an increasing number of bankers and analysts in Madrid feel their hunt for someone to blame has compounded the problem. Ercros, the chemical company, has collapsed and is in receivership after the new KIO management refused to support it. The Prima property group seems likely to go the same way unless a buyer can be found. Creditors have been told they will not get their money. Last Tuesday, Grupo Torras defaulted on international bank loans of $400m; they have to be repaid by the KIO, which guaranteed them.

Since June, when al-Nouri took control of Torras and began, through public relations advisers, denouncing his predecessors, the value of its portfolio has plummeted. Stock in Ebro, the food group, for example, worth more than Pta2,000 in mid-May, is now worth just Pta965. It becomes a vicious circle. The more the new KIO managers complain there is money missing in Spain, the more the value of their assets falls.

"The KIO is using its Spanish investments to resolve its internal problems," said Mr Carlo Bonomi, chairman of Saffa, the big Italian industrial group which has a 6 per cent stake in Prima. "It is completely irresponsible. The new managers are at war with the old managers while the [Spanish] companies are being ruined."

Al-Bader, the current KIO president, is anxious to return the office to its old role as a discreet, low-risk trader. But in his rush to extricate his organisation from Spain, he may be further harming Kuwait's reputation with the international financial community. Last week's defaults, for example, were a direct result of the new KIO management's reluctance to restore its Spanish companies to health. Since the Gulf war, Kuwait has become a big borrower, and bankers will be sensitive to the way the KIO treats Torras's remaining Spanish debt.

The KIO is in a bind. If it is to recover any of the money it has pumped into Spain, it will have to produce a recovery in the fortunes of Grupo Torras, and that – given the hostility of Spanish banks – will inevitably mean providing it with yet more funds in the short term. If it concentrates exclusively on its quest for retribution against those it believes have betrayed it, it risks losing everything.

The KIO in Spain

November 1984: KIO buys stake in packing company Inpacsa for $30m.
August 1986: KIO takes control of paper maker Torras Hostench, which buys Inpacsa.
June 1987: Torras Hostench makes Spain's biggest rights issue - $500m.
March through June 1987: KIO buys stakes in chemicals group Explosivos Rio Tinto (ERT, later to become Ercros), Banco Vizcaya and foods group Ebro. Stakes are bought by external accounts and transferred, at profit, to Torras.
Late 1987: KIO/Torras launch hostile bid for ERT and win.
March 1988: KIO/Torras launch hostile bid for Ebro and win.
June 1988: Torras Hostench becomes Grupo Torras, a quoted holding company. It acquires bank debt in order to pay for acquisitions.
December 1988: Another capital increase – $400m – to help finance debt, is not successful. Torras accumulates its own stock financed with bank loan.
December 1989: KIO decides to take Grupo Torras private. Torras shareholders offered mix of cash and Prima shares. New Torras loans taken out to buy up Prima stock that flows back to the market. These shares parked with associates.
Early 1990: Efforts begin to try to sell assets.
August 1990: Iraqi annexation of Kuwait. Value of collateral of Torras loans fall and banks call in debt.Torras asks KIO for $400m and, later, another $1.3bn.
June 1991: These transfers converted into equity. Banks begin demanding KIO guarantees for credit to Torras.
December 1991: KPMG Peat Marwick values Torras assets at $2.9bn to $4.4bn.
February 1992: KIO chairman retires, replaced by Al-Bader.
May 1992: De la Rosa leaves Torras, replaced by new Kuwaiti team.
June to November 1992: New KIO/Torras team attacks former KIO leaders and De la Rosa stewardship of Spanish assets. Ercros goes into receivership. Prima funding stopped. Torras says debts are $3bn.

Japanese life insurers hit by low asset growth

By Robert Thomson in Tokyo

NIPPON Life Insurance, the largest of Japan's life companies, reported a meagre 2.5 per cent increase in premium income for the first half, as the Japanese industry recorded its lowest level of asset growth in the post-war period.

The industry would have been further weakened but for a deferral of appraisal losses on securities holdings, eroded by the collapse in Tokyo stock prices, though companies will have to take the losses at the end of the fiscal year in March.

Nippon Life's latent profits on stock holdings fell 22.7 per cent from March to Y2,382bn ($19.2bn) at the end of September, while the latent profits at Dai-Ichi Mutual Life were down 29 per cent to 1,054bn, and those at Sumitomo Life plunged 65 per cent to a relatively thin Y185.6bn.

The industry was under orders from the finance ministry not to offload shares during the half, as there were fears that sales would put further pressure on already weak stock prices. In return, the ministry allowed the stock appraisal losses to be deferred.

The eight leading life companies reported a collective 4.8 per cent growth to Y10,812bn in premiums for the first half, with Mitsui Mutual Life Insurance reporting the smallest increase – 1.9 per cent – and Meiji Mutual Life Insurance the largest, 10.1 per cent.

Income from asset investment fell 11.5 per cent, as interest rates and stock prices both declined, but payouts were down 8.1 per cent. The industry has received finance ministry approval to lift premiums, which should bolster income during the second half.

But the industry will still be under pressure, as the latent profits on stocks for the eight companies fell 28.4 per cent over the six months to Y6,033bn, down from a peak of Y38,000bn at end March 1989.

Yasuda Mutual Life reported the strongest growth in total assets, up 10.5 per cent, followed by the 10.4 per cent at Meiji Mutual, while the 8.2 per cent expansion at Nippon Life was the smallest among the leading companies.

Israel aims to raise $350m from sell-off

By Hugh Carnegy in Jerusalem

ISRAEL'S government yesterday launched the country's biggest public flotation of state-owned shares, placing its 42.5 per cent stake in IDB Holding, a big industrial investment group, on the Tel Aviv stock exchange (TASE) for an anticipated return of more than $350m.

Although no change of control in IDB was involved, as the balance of shares is held by the Recanati family of Tel Aviv, the government pointed to the issue as evidence of its commitment to privatisation.

TASE officials said the issue was 120 times oversubscribed and testified to pent-up demand for privatisation issues, despite a bull run which has seen the exchange's main index rise by more than 60 per cent this year. The previous biggest sale of government-held shares was in February, when 25 per cent of Israel Chemicals was sold for Shk600m.

The IDB sale was a spin-off from the government's programme to sell its majority holdings in Israel's four main banks, acquired at a cost of $7bn after a share collapse in 1983. IDB Holding had been split from its previous partner, Israel Discount Bank, and control sold back to the Recanatis, two of whom are on trial on criminal charges arising from the 1983 share collapse.

However, the government has yet to finalise how it will dispose of Israel Discount Bank, or Bank Hapoalim and Bank Leumi, the country's three biggest financial institutions. There has been criticism that it has not moved fast enough to sell the banks, or the major candidates among government-owned companies.

Yesterday's issue was split into tranches consisting of 26.6 per cent of IDB in shares and the remainder in options exerciseable by next October. The total raised will be Shk945m. At today's value of $357m, this compares with the $314m the government paid to acquire the shares in 1983.

Eemland hopes auction will cut Gillette link

Six unnamed groups will bid for Wilkinson Sword this week, writes Guy de Jonquières

A CRITICAL phase in the disentangling of a bizarre international business imbroglio is set to open this week, as an auction gets under way for Wilkinson Sword, the shaving products and toiletries group.

Six unnamed prospective bidders will enter detailed discussions with Eemland, Wilkinson's owner, and its advisers, the Swedish Enskilda bank and Goldman Sachs International, which put the business on the market last month.

Eemland hopes the planned sale, which it aims to agree in principle by the end of the year, will rid Wilkinson of a deeply unwelcome financial involvement by Gillette of the US, its biggest competitor, which has aroused fierce opposition from competition authorities worldwide.

A change of ownership should also relieve Eemland – a consortium owned by Swedish financial institutions, the J.P. Morgan Bank and Gillette – of mounting debt and give Wilkinson the financial and industrial muscle it needs to survive.

The auction has been preceded by tense negotiations, as Eemland has haggled over the terms of the sale with Gillette, with which it has long had uneasy relations. Indeed, until recently the Eemland camp claims to have been uncertain whether Gillette was prepared to co-operate fully. "It has been a poker game up to the last minute," says one source close to the talks.

Gillette's role and motives have been widely questioned since late 1989, when it helped finance a highly-leveraged $650m buy-out from Stora, the Swedish pulp and paper group, of the consumer products operations of the latter's Swedish Match subsidiary. As well as Wilkinson, these included a matches and lighter business.

Gillette, with about 70 per cent of the world wet shaving market, wanted to buy Wilkinson's non-EC businesses. However, Stora insisted on selling Swedish Match, later renamed Eemland, as a package.

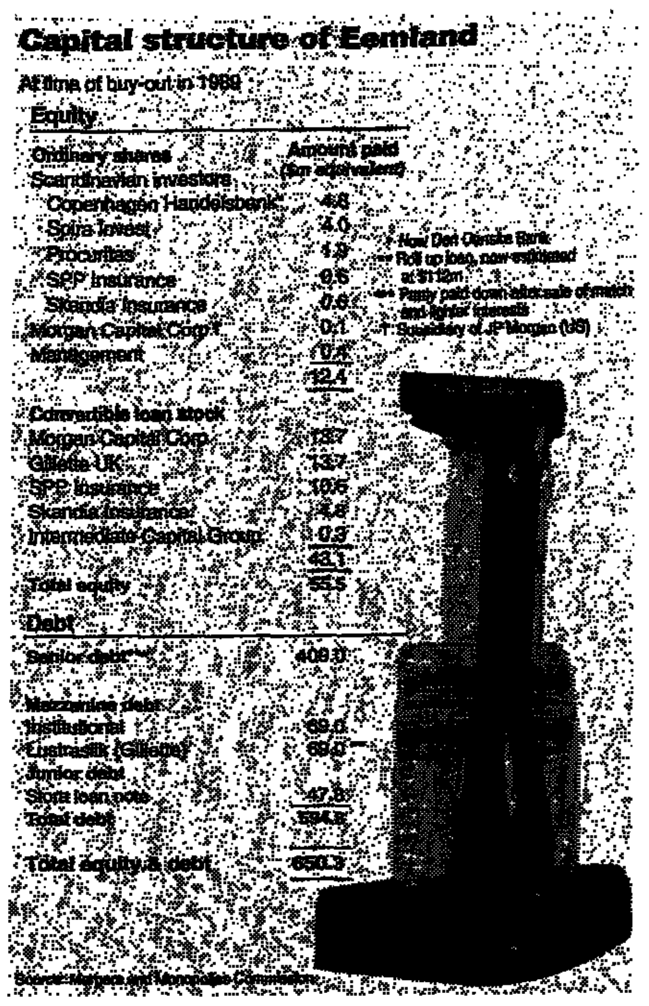
Gillette's answer was a complex deal whereby it invested $13.7m to acquire a 22 per cent non-voting stake in Eemland and granted the consortium $69m of mezzanine debt. In exchange, Eemland sold Gillette Wilkinson's non-EC assets, while disposing separately of the matches and lighter business.

The US company has always insisted it has no control over Eemland and would withdraw once the latter was able to repay the loan or could be publicly floated. However, it failed to convince competition authorities in Britain and Germany – or in Brussels, which issued a decision earlier this month.

Concluding that Gillette was in a position to influence Wilkinson, the various authorities have ordered it to sever its links with Eemland and hand back Wilkinson's former non-EC businesses in Europe. Gillette has appealed against the UK and German rulings, though it did comply with a US order to return to Wilkinson its US operations.

Eemland says Gillette never sought to meddle in its affairs. However, the consortium argues that its financial structure, of which Gillette was a principal architect, has kept Wilkinson on a tight leash.

The terms of the Gillette mezzanine debt are particularly onerous. A roll-up loan with an interest rate 6 per cent above the London inter-bank offered rate (Libor), it will have grown to $112m by the end of this year, twice Eemland's $55.5m of equity.



Though Wilkinson is in the black, with operating profits of DM46.8m ($29.4m) on sales of DM 316.3m last year, its margin is well below the 25 per cent assumed in its original business plan. It is unclear when, if ever, it would be in a position to repay the Gillette loan.

Two developments brought matters to a head. One was the reluctance of Eemland's Swedish shareholders to inject further capital. The other was Gillette's apparent conclusion that it could not continue to stave off indefinitely pressure from competition authorities, particularly the EC, which is able to enforce its orders faster than national bodies.

The opportunity for an exit was provided by the unexpected success of Wilkinson's Protector, an advanced shaving system launched in March. Developed on a shoestring budget, it is said to have overtaken sales of Gillette's rival Sensor in Germany and to be doing well in Britain – Wilkinson's two main markets.

Eemland argues that the product offers a buyer willing to invest fresh resources a unique opportunity to re-build Wilkinson into a substantial market force before Gillette responds with a comparable razor of its own. There are also whispers of further Wilkinson innovations in the pipeline.

However, the eventual buyer will have to limit its ambitions to only part of the world market. Gillette has agreed, as part of the sale, to hand back Wilkinson's former European businesses outside the EC.

However, it has balked at requests by Eemland that it also return those in fast-growing regions such as Latin America and south-east Asia. In these markets, the Wilkinson brand is used on Gillette products.

The consortium hopes to raise as much as $300m from the sale of Wilkinson, which will be sold debt-free. That sum should be enough to cover Eemland's liabilities, though it seems unlikely to provide its shareholders with much of a return on their investment.

But it is likely to take several more tense hands of poker during the coming weeks before it becomes clear whether any of the prospective bidders – which include both financial groups and industrial companies – are prepared to raise their stakes to that level.

BASF trims polystyrene capacity as demand falls

By Christopher Parkes in Frankfurt

BASF, the German chemicals group, is to slash polystyrene capacity at its Ludwigshafen plant by 25 per cent.

The group, which 10 days ago announced a 45 per cent slump in pre-tax profits for the first nine months of this year, blamed the need for cuts on falling demand and the impact on prices of the recent appreciation of the D-Mark. It is Europe's largest polystyrene manufacturer.

Prices would have to increase quickly by around 30 per cent before polystyrene manufacture was economically viable, it said, but it saw no possibility of improvements during 1993. A recent attempt by manufacturers to increase prices failed.

BASF's move is only the latest of a series of attempts to rationalise the industry which is suffering from overcapacity. Elf Atochem, the French group, closed a 110,000 tonnes a year plant in Dieuze this summer.

Meanwhile, BP Chemicals and Enichem of Italy have tried to form an $800m joint-venture in polystyrene.

BASF, which is planning to reduce its workforce by more than 2,000 next year, said people displaced by the closures would be offered work in other parts of its giant Ludwigshafen works at the confluence of the Rhine and Neckar rivers.

Toronto-Dominion Bank slips 7% as loan losses mount

By Robert Gibbens in Montreal

TORONTO-DOMINION Bank, Canada's fifth largest chartered bank, has reported a 7 per cent decline in fourth-quarter profits and an 18 per cent drop for the full year ended October 31.

Fourth-quarter profit was C$113m (US$88.2m) or 35 cents a share against C$120m or 37 cents a year earlier. Return on equity was 9.2 per cent against 10.1 per cent and on assets 0.61 per cent against 0.70 per cent.

Full-year earnings were C$408m or C$1.25 a share against C$497m or C$1.51 a year earlier. Total assets at October 31 were C$74bn, up 7 per cent, fuelled by growth in securities holdings and residential mortgages.

Loan losses increased 10 per cent to C$543m, though the personal lending sector stabilised. Net non-performing loans were C$1.7bn, up C$228m and equal to 2.98 per cent of total loans against 2.6 per cent a year earlier.

It was the bank's third successive year of falling profits. The bank does not have any loans to Olympia and York, the troubled developer, but took an undisclosed provision against its holdings of Edper group preferred shares.

● Bank of Nova Scotia posted net profit of C$676.2m or C$2.94 a share for the year ended October 31, up 7 per cent from C$633m or C$2.81 a share in fiscal 1991. Fourth-quarter profits were up 1 per cent to C$163.3 m or 72 cents a share despite sharply higher loan and loss provisions.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 28.11.92 Pool purchase price £/MWh	Final Prices for Trading on 01.11.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.93	18.40	18.40
0100	24 61	24 08	26.04
0130	27.49	26.69	28.74
0200	27 49	26.39	26.40
0230	24.61	21.44	23.24
0300	24.61	20.43	22.21
0330	24.81	20 43	22.22
0400	22 64	17.71	17.71
0430	17 72	17.70	17 70
0500	17.70	17.70	17 70
0530	17 62	17 70	17.70
0600	17 70	17.70	17.70
0630	17 70	17.70	17.70
0700	17.69	17 70	17.70
0730	17 69	17.70	17.70
0800	17.69	17.70	17.70
0830	17 62	17 71	17 71
0900	17.69	18.40	18.40
0930	22.77	19 84	21 64
1000	23.02	21.77	23.65
1030	23 13	22.11	23 98
1100	23.50	22.11	23.97
1130	23 62	23.07	24.97
1200	23.62	23.64	25.55
1230	37.31	26.23	28.24
1300	37.31	26.23	28.24
1330	37.31	23 64	25.56
1400	23.62	23 07	24.98
1430	18 02	20.30	20.30
1500	17.73	18.40	18.40
1530	17 93	17.98	17.98
1600	18 02	17 98	17.98
1630	23.62	19.90	19 90
1700	23.78	23.07	24.84
1730	24 62	24 17	26.05
1800	24 62	25.66	27.57
1830	24.62	25.66	27.57
1900	24.62	25 66	27.55
1930	24 62	24.17	26.00
2000	24 62	24 17	26.02
2030	23.78	24 17	26.03
2100	23 78	22 11	23.91
2130	23.50	22.11	23.91
2200	23.02	22.11	23.92
2230	17.73	22 11	23.93
2300	17 71	18 60	18.60
2330	17.70	17 71	17.71
2400	17 70	17.71	17 71

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 30.11.92 Pool purchase price £/MWh	Final Prices for Trading on 02.11.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.02	20.00	20.00
0100	23.50	22.11	24.50
0130	27.32	28.01	30.68
0200	30.46	28.01	30.62
0230	23.13	22.04	24.37
0300	23.02	22.04	24.38
0330	23.02	20.26	22.54
0400	17.73	17.72	17.72
0430	17.71	17.71	17.71
0500	17.71	17.71	17.71
0530	17.71	17.72	17.72
0600	17.70	17.71	17.71
0630	17.77	19.01	19.01
0700	18.83	24.00	26.49
0730	26.55	23 80	26.24
0800	25.88	24.71	27.20
0830	25.88	24.71	27.17
0900	26.10	24.71	27.15
0930	34.62	28.14	30.70
1000	34 62	28.14	30.67
1030	21.50	28.14	30.65
1100	20.92	24.71	27.08
1130	26.88	24.71	27.08
1200	78.46	24.71	27.08
1230	20.92	24.71	27.09
1300	20.92	24 71	27.09
1330	20.92	21.88	21.88
1400	20.92	21.25	21.25
1430	20 92	21.25	21.25
1500	20.87	20 37	20.37
1530	20.93	20.90	20.90
1600	29.21	21.25	21.25
1630	38.51	28.20	30.83
1700	45.00	32.86	36.16
1730	44.86	37.16	40.61
1800	38.65	36.82	40.11
1830	30.21	34.36	37.08
1900	28.48	28.52	31.24
1930	25.89	26.57	28.93
2000	25 88	24 70	27.03
2030	25.56	24 08	26.41
2100	25.51	24.08	26.41
2130	24.90	24.00	26.35
2200	24.11	23.89	26.25
2230	24.11	23.41	25.76
2300	20.80	20.37	20.37
2330	17.73	20.32	20.32
2400	17.77	17.97	17.97

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
US$250,000,000 FLOATING RATE NOTES DUE 2002

In accordance with the provisions of the Notes, notice is hereby given as follows:

- Interest period: November 27, 1992 to May 27, 1993
- Interest payment date: May 27, 1993
- Interest rate: 3.34063% per annum
- Coupon amount: US$167.96 per Note of US$10,000; US$1,679.59 per Note of US$100,000

AGENT BANK
BANQUE INTERNATIONALE A LUXEMBOURG

NOTICE TO HOLDERS OF SECURITIES ISSUED BY C. ITOH FINANCE (EUROPE) PLC
("the Company")

An Extraordinary General Meeting of Shareholders of the Company held on 11th November, 1992 passed a special resolution to change the name of the Company. In consequence of such resolution, notice is hereby given as follows:

1. Effective as from 1st December, 1992 the name of the Company will change to ITOCHU FINANCE (EUROPE) PLC.
2. The Notes mentioned below will remain listed on the Luxembourg Stock Exchange and The International Stock Exchange of the United Kingdom and the Republic of Ireland (the "London Stock Exchange"), respectively.
3. Each future notice to the holders of the Notes will contain both names.
4. The said Notes will not be stamped or exchanged for new Notes.
5. The Company under the new name will continue to owe the obligations to pay principal and interest on the said Notes.

Listed on the Luxembourg Stock Exchange.

- ¥5,000,000,000 7½ per cent. Guaranteed Notes due 1993.
- ¥5,000,000,000 5⅞ per cent. Guaranteed Notes due 1993.
- ¥5,500,000,000 Guaranteed Floating Rate Notes due 1993.
- US$50,000,000 9¼ per cent. Guaranteed Notes due 1993.

Listed on the London Stock Exchange.

- ¥10,000,000,000 7¼ per cent. Notes due 1993.
- ¥10,000,000,000 8⅛ per cent. Variable Redemption Amount Guaranteed Notes due 1993.
- US$30,000,000 8⅞ per cent. Notes due 1993.
- ¥5,000,000,000 Step-up Notes due 1994.
- US$50,000,000 9⅞ per cent. Guaranteed Notes due 1995.

C. ITOH FINANCE (EUROPE) PLC
30th November, 1992

Making moves in the city
As from Monday 30th November 1992 our new Head Office address will be:
91 Duke Street
Liverpool L1 5AA
Telephone: 051-707 1707 Fax: 051-707 1247

BS Blankstone Sington
LIMITED
Members of the London Stock Exchange and the Securities and Futures Authority

Lavoro Bank Overseas N.V.
(Incorporated with limited liability in the Netherlands Antilles)
¥6,300,000,000
Floating Rate Guaranteed Notes
Due 1993
Unconditionally and irrevocably guaranteed as to payment of principal and interest by
Banca Nazionale Del Lavoro
(Incorporated as an Istituto di Credito di Diritto Pubblico in the Republic of Italy)
Notice is hereby given that the Rate of Interest for the Interest Period from 29th November, 1992 to 29th May, 1993 is 4.95% per annum. Interest payable on 28th May, 1993 will amount to ¥2,454,658 per ¥100,000,000 principal amount of the Notes.
Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

US $330,000,000
Republic of Italy Euro Repackaged Assets Limited
F.E.R.A.R.I. II
Floating Euro-dollar Repackaged Assets of the Republic of Italy due 1993
For the period from November 30, 1992 to February 26, 1993 the Notes will carry an interest rate of 4⅜% per annum with an interest amount of US $756.25 per US $75,000 Note.
The relevant interest payment date will be February 26, 1993.
Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

The Aetna International Umbrella Fund
Société d'Investissement à Capital Variable. Registered office: 47, Boulevard Royal, L-2449 Luxembourg.
The Shareholders of the Growth Funds (American Equity Fund, Asian Equity Fund, Australian Equity Fund, European Equity Fund, Japanese Equity Fund, UK Equity Fund) and of Income & Growth Funds (American Income & Growth Fund, European Income & Growth Fund, Pacific Basin Income & Growth Fund, UK Income & Growth Fund) are hereby informed that, with effect from three months following this notice, the management fee is increased from 1% to 1.25%, calculated and accrued on each business day and payable monthly.
The Board of Directors
Ætna
Issued and approved by Aetna Investment Management Ltd, A member of IMRO

KOREA LIBERALISATION FUND LIMITED ("The Company")
(an exempted company under The Companies Law (Cap. 22) (as amended) of the Cayman Islands with registered number 348599)
Bearer International Depositary Receipts ("IDR's") evidencing Ordinary Shares of US$0.01 each of the Company ("Shares") and warrants to subscribe for Shares ("Warrants").
NOTICE IS HEREBY GIVEN that pursuant to the provisions of a Share Deposit Agreement and a Warrant Deposit Agreement each between the Company (1) and Morgan Guaranty Trust Company of New York ("the Depositary") (2) and each dated 20 November 1992 the denominations of IDR's evidencing Shares and Warrants have been amended respectively from 1000 Shares and 200 Warrants to 100 Shares and 20 Warrants. IDR's in the former denominations remain valid until replaced by IDR's in the new denominations.
Accordingly the holders of IDR's in the former denominations are requested to surrender their IDR's not held by the Depositary by sending them (at their own risk) to the address given below together with all outstanding Coupons relating thereto whereupon IDR's in the new denominations and Coupons relating thereto will be issued at the expense of the Company.
NOTICE is also given that the Share Deposit Agreement and Warrant Deposit Agreement between the Company (1) and the Depositary (2) each dated 15 March 1990 have been amended to provide that, if IDR-holders fail to give instructions as to how they wish the votes attaching to the Shares or Warrants represented by their IDR's to be cast at any meeting of Shareholders or Warrantholders of the Company, then the Depositary will exercise or refrain from exercising such votes in accordance with instructions, if any, received from the Board of Directors. The Depositary will, if so requested, give a discretionary proxy to a person nominated by the Company.
Morgan Guaranty Trust Company of New York,
Avenue des Arts 35,
1040 Brussels
BELGIUM

Standard Chartered
Standard Chartered PLC
(Incorporated with limited liability in England)
£150 million Subordinated Floating Rate Notes due 1996
In accordance with the provisions of the Notes, notice is hereby given that for the three month period from 26th November 1992 to 26th February 1993 the Notes will bear interest at the rate of 7.35 per cent per annum.
Interest per £5,000 Note will amount to £92.63 and will be paid for value 26th February 1993 against surrender of Coupon No 27.
Chartered WestLB Limited
Agent Bank

Den norske Bank
Primary Capital Perpetual Floating Rate Notes
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from November 30, 1992 to February 26, 1993 the Notes will carry an Interest Rate of 4.125% p.a. and the Coupon Amount per U.S.$10,000 will be U.S.$100.83.
November 30, 1992 London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

The Chase Manhattan Corporation
U.S. $175,000,000
Floating Rate Subordinated Notes due 1997
Notice is hereby given that the Rate of Interest has been fixed at 4.125% and that the interest payable on the relevant Interest Payment Date February 26, 1993 against Coupon No. 29 in respect of US$10,000 nominal of the Notes will be US$100.83.
November 30, 1992, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

ANZ Bank
Australia and New Zealand Banking Group Limited
Australian Company Number 005 357 522
(Incorporated with limited liability in the State of Victoria, Australia)
U.S. $200,000,000
Floating Rate Notes due 1994
Notice is hereby given that for the Interest Period 27th November, 1992 to 26th February, 1993 the Notes will carry a Rate of Interest of 4.14063 per cent. per annum with an Amount of Interest of U.S. $104.67 per U.S. $10,000 Note and U.S. $1,046.66 per U.S. $100,000 Note. The relevant Interest Payment Date will be 26th February, 1993.
Bankers Trust Company, London
Agent Bank

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Brussels' investment plans push EIB to centre-stage

TO POLITICIANS, it means putting people back to work. To the capital markets, it means a greater demand for finance – and to other borrowers, particularly companies, it could mean higher borrowing costs.

Last week, politicians in Brussels proposed huge extra investment in infrastructure projects across the European Community as a way of reviving the flagging economies of member states. They also tentatively suggested how such a package could be financed: through the European Investment Bank, the EC states' development bank, which is already the biggest borrower on the international capital markets.

With considerable competition for funds expected in the international markets next year – in part from the states which are the EIB's shareholders – any such programme would push up costs for all borrowers.

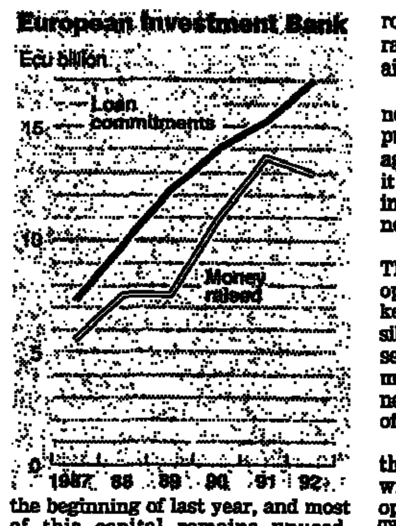
EC states seem unwilling to fund new projects directly. With growing budget deficits to finance, and a widening gap between their current fiscal positions and what they would have to achieve to meet the Maastricht convergence criteria, the emphasis is on fiscal restraint. A desire to take the pressure off domestic bond markets – and to rebuild depleted reserves – has already driven a number of European sovereign borrowers into the international bond markets, and more are expected.

That leaves the EIB holding centre-stage in any new growth programme, although its chairman, Mr Ernst-Günther Bröder, cautioned last week against expecting too much, too soon. For a start, he said, the EIB is putting more effort into its credit appraisal process: it no longer has the guarantees of member states to back it, and so is more aware of the need to avoid losses and build reserves.

Also, the EIB typically lends only around a quarter of the amount needed for any project. It waits for projects to be brought to it, and expects them to be largely financed commercially first. So any pick-up in lending depends mainly on the promoters of particular projects.

There are other reasons why the EIB's presence in the markets may not pick up dramatically. It is considering issuing guarantees to commercial banks to encourage them to lend in some cases, rather than lending directly itself, says Mr Bröder. Bankers welcomed the idea last week: they currently have no exposure to the EIB, and would be happy to take on such a credit risk.

Should the bank need to borrow more from the bond market, there is no theoretical limit to the amount it could raise, says Mr Bröder. Its capital base was doubled in size at the beginning of last year, and most of this capital remains unused. Also, the EIB's AAA-rating and sovereign shareholders make it one of the top credits around.



The effects of any sharp upturn in EIB borrowing are not easy to predict, either on the bank's own borrowing costs or those of other customers of the Eurobond market. That is partly due to the bank's borrowing strategy in the past. While other large borrowers have turned in recent years to ever-bigger bond issues, the EIB has remained close to its Euromarket roots: issuing smaller amounts in a range of currencies in deals often aimed at retail investors.

Until two months ago, this was not surprising. The withholding tax privilege accorded to supranational agencies like the EIB by Italy made it cheaper to issue bonds to Italian investors. With the tax advantage now scrapped, that has changed.

Two approaches are now possible. The EIB could continue with its opportunistic strategy, trying to keep borrowing costs as low as possible in the short term; or it could set out to establish bigger, benchmark issues in an attempt to build a new following among a wider range of institutional investors.

It seems initially to be following the first route, reaching into a wider range of markets to find opportunities to borrow cheaply. The bank raised $200m in the US earlier this month, its first drawing under a $750m medium-term note facility, an EIB official says – its first venture into the domestic US market for some time. It is also looking at borrowing in a wider range of European currencies: the Belgian franc, the Luxembourg franc and the Dutch guilder are all under-used, the official says.

All of this is to make up in part for the disruption of the Ecu market, which provided 18 per cent of the bank's new funds last year. However, the EIB adds that the Ecu could still be one of its most important currencies: "It could easily come back. We think we could do something in the near future."

This apparent determination to follow its familiar borrowing strategy follows what the EIB says was something of a surprise this autumn: the loss of the withholding tax privilege has had only a small effect on its borrowing costs. A short-dated dollar issue launched last month cost only "a few basis points" more than a similar issue in March, even though yield spreads in the market generally have widened.

Should the bank change its mind and move into the US market, it could find itself paying much more. Its bonds would be priced against those of the World Bank, says one US banker: "They haven't had to do that for a long time."

But if the bank stays in the Euromarkets, any extra borrowing would make life more difficult for other issuers. If a crunch develops, it will not be the EIB that is crowded out of the market. As one London banker says: "There is going to be stiff competition for funds in 1993, there's no doubt about it. But the ones who will be squeezed out will be the corporates."

Richard Waters

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Olympus Optical Co(c)♦	400	1996	4	2¾	100	Yamaichi Intl. Europe	-
Yaohan Japan Corp(d)♦	100	1996	4	2¾	100	Nomura Intl.	-
Eagle 4 Ltd†	121.6	1996	4	(e)	100	Daiwa Europe	-
Rabobank Nederland(f)†	50	2002	10	(f)	99⅞	UBS P&D Secs.	-
Matsushita Elec.Works(h)♦	300	1996	4	2¾	100	Yamaichi Intl.	-
Nishimatsu Cons.(i)♦	150	1996	4	2¾	100	Yamaichi Intl.	-
SNCF(j)†	150	2002	10	(j)	99.30	Kidder Peabody	-
Abbey Healthcare Group(k)§	75	2002	10	6½	100	County Natwest Sec.	6.497
Tomoku Co.(q)♦	70	1996	4	2.375	100	Nikko Europe	-
Daiwa House Ind.Co.(r)♦	300	1996	4	2.375	100	Nomura Intl.	-
Finnish Export Credit(u)	200	1996	4	(u)	100	Salomon Brothers Intl	-
Rabobank Nederland†	150	1997	5	(v)	101.625	Morgan Stanley Intl.	-
D-MARKS							
African Dev. Bank.(g)	300	1997	5	7½	101.95	DG Bank	7.022
Euro.Coal&Steel Comm.	217	1997	5	7⅝	101.50	Commerzbank AG	6.761
Kansai Elect. Power Co.	500	1997	5	7¼	101⅞	Dresdner Bank	6.795
YEN							
Japan Airlines Co.	50bn	2003	10.25	5.6	101.90	Nomura Intl.	5.351
IADB	50bn	1997	5	4½	99.726	LTCB Intl.	4.562
Kubota Corp(t)†	15bn	1997	5	(t)	100	Daiwa Europe	-
NKK Corp	20bn	1999	6.25	5.30	101.80	Nomura Intl.	4.964
NKK Corp	20bn	2000	7.25	5.40	101.75	Daiwa Europe	5.101
STERLING							
World Bank	200	1998	6	7¼	99.00	Baring Brothers	7.402
CARS(l)†	185	1997	5	(l)	99.75	Goldman Sachs	-
National Westminster Bk(s)§	200	(s)	-	11½	100.85	Nat.West.Cap.Mkts.	-
LASMO	100	1999	6.5	9½	99.76	UBS P&D Secs.	9.528
Kyushu Electric Power	150	1997	5	8	99.80	S.G Warburg Secs.	8.050
FRENCH FRANCS							
EIB(b)	1bn	2002	10	8.75	102.26	Societe Generale	8.400
Societe Generale	500	1996	4	8.25	100.20	Societe Generale	8.189
SWISS FRANCS							
City of Copenhagen★★	100	2000	7	6¼	101¼	UBS	5.989
Sumitomo Pub. Ind.(m)♦★★	200	1996	4	2¼	100	Credit Suisse	-
Eurovias Highway Co.★★	90	2003	10	6½	102¼	Credit Suisse	6.206
Daiwa House Ind.Co.(n)♦★★	300	1996	4	2.75	100	Union Bk.of Switz.	-
Takara Standard Co.(o)♦★★	100	1996	4	2.875	100	Bank Julius Baer	-
Toyo Chemical(p)♦★★	25	1996	4	2.875	100	Paribas Suisse	-
CANADIAN DOLLARS							
Federal Business Dev. Bk.	100	1996	4	7¼	99.90	Wood Gundy	7.260
GUILDERS							
IKB Deutsche Ind'Bk(a)	200	2003	10	8	100.60	Rabobank Nederland.	7.911
Fortis Finance NV	350	2002	10	7⅝	100.40	ABN Amro NV	7.567
LUXEMBOURG FRANCS							
Credit A L'Industrie	500	2000	8	8.25	102.125	Cregem Intl. Bank	7.882
Cregem Intl.Bank★★	400	1996	4	8	102.35	Cregem Intl. Bank	7.301
Caisse Hypothecaire★★	500	1997	5	8	102.10	BIL	7.481

Final terms and non-callable unless stated. ★★Private placement. §Convertible. ♦With equity warrants. †Floating rate note. a) Amount increased from 150m. b) Fungible with existing 8.75% issue. c) Final Terms fixed on the 1/12/1992. d) Final Terms fixed on the 2/12/1992. e) Coupon pays 6 month Libor plus 80bp. f) Fungible with existing 100m issue. Coupon pays 6 month Libor minus 25bp. Minimum coupon 5%, Maximum 8¼%. g) Issued 23/11/1992, priced 24/11/1992. h) Final terms fixed on 3/12/1992. i) Final terms fixed on 1/12/1992. j) Amount increased from 100m. Coupon pays 6 month Libor minus 0.25bp. Minimum coupon 5⅛, maximum 8¼. k) Coupon payable semi-annually. l) Full borrowers name Cardiff Automobile Receivable Securitisation. Coupon pays 3 month Libor plus 45bp m) Exercise premium fixed at 2.60%. n) Exercise premium fixed at 2.53%. o) Exercise premium fixed at 2.57%. p) Exercise premium fixed at 2.58%. q) Exercise premium fixed at 2.63%. r) Exercise premium fixed at 2.50%. s) Coupon payable semi-annually. Issue undated. t) Coupon pays 3 month Libor plus 35bp. u) Coupon pays 3 month Libor plus 50bp. Callable from 12/1994 at par. v) Coupon pays 3 month Libor plus 36bp. Coupon floor never less than preceding coupon and not increased more than 0.25% from preceding coupon. Note: Yields calculated on ISMA basis.

RISK AND REWARD

Growing concern over the dangers of counterparty credit

THE importance attached to counterparty credit risk has increased substantially in recent years, due to declining confidence in the financial strength of banks and securities houses and a surge in the number of corporate defaults.

Nowhere has the impact been more keenly felt than in the over-the-counter market in derivative instruments. In a securities trade, counterparty risk ends when the transaction is settled; in the derivatives market, it continues for the life of the agreement. In the burgeoning swaps market, which now totals $4,000bn, agreements typically run for three to 10 years. The result: an explosion of counterparty risk.

Some regulators believe it is the greatest risk facing financial institutions, in a market where other risks are already substantial. Part of the problem is that counterparty risk in the derivatives market is difficult to quantify, since exposure changes as market prices rise and fall.

Bankers have developed a number of techniques to reduce or limit counterparty risk. Some now ask for margin payments, imitating futures exchanges. In other cases, contracts require interim settlement, so that the period of risk is more limited. Or they may allow for mutual termination of agreements, if covenants are broken or credit ratings downgraded.

One important means of reducing counterparty risk is still the subject of wrangling between bankers and regulators. Netting – which enables an institution to offset the value of profitable (in-the-money) and loss-making (out-of-the-money) transactions with a defaulting counterparty – remains something of a grey area. Currently, Basle capital guidelines do not allow netting for capital adequacy purposes. However, the Basle committee on banking supervision is to meet shortly to discuss the response to its consultative paper on netting issued in May.

One reason for the reluctance to allow netting is the doubt about its legal enforceability in a number of jurisdictions. However, a report from the Bank for International Settlements in 1990 concluded that netting was likely to be enforceable in most major markets, and it has been implemented successfully in the liquidations of Drexel Burnham Lambert and DFC, the state-owned New Zealand development bank.

Meanwhile, some of the banks and securities houses which were leaders in the derivatives markets have seen business fall away as their credit quality has deteriorated. According to a recent report by the BIS: "At the long end of the market, counterparties pay more attention to credit standing than to the prices offered. This has resulted in a large share of the longer-dated swaps market being arranged by a relatively small number of highly rated institutions."

But weaker rated institutions have come up with an answer: a separately capitalised derivatives unit, structured so that it qualifies for a double-A or triple-A credit rating. Many are considering establishing credit-enhanced units in the coming year, based loosely on the model of Merrill Lynch Derivatives Products, established a year ago.

Salomon Brothers is expected to set up a credit-enhanced vehicle in the next few months, while Continental, Citibank, Chase Manhattan, Lehman Brothers, and Kidder Peabody are also considering this route. (Goldman Sachs set up a separately-capitalised derivatives unit earlier this year, but with somewhat different objectives.)

According to Mr Christian Schade, vice-president in charge of European swaps marketing at MLDP: "[Our derivatives business] has expanded across the board, because of the vehicle. We can deal with counterparties who would not normally consider us."

But a number of market participants say that such a structure is costly, using up excessive capital. By channelling resources into a relatively capital-intensive area, other areas of business may be held back.

Nor are regulators convinced that "ring-fencing" works. If rumours that a financial institution was facing difficulties swept the market, a separately capitalised unit would not necessarily be immune from a change in sentiment.

Tracy Corrigan

C. Itoh Finance (Europe) PLC
(Incorporated in England under the Companies Acts 1948 to 1983)
¥5,500,000,000
Guaranteed Floating Rate Notes Due 1993
Unconditionally and irrevocably guaranteed as to payment of principal and interest by
C. Itoh & Co., Ltd.
(incorporated with limited liability in Japan)
Notice is hereby given that the Rate of Interest for the Interest Period from 30th November, 1992 to 30th May, 1993 is 4.32% per annum. Interest payable on 31st May, 1993 will amount to ¥2,142,247 per ¥100,000,000 principal amount of the Notes.
Agent Bank
The Long-Term Credit Bank of Japan, Limited
Tokyo

C.P. International Investments Limited
(formerly Consolidated Press (Finance) Limited)
U.S. $92,000,000
Subordinated Floating Rate Notes due 1993 (the "Notes")
Guaranteed on a subordinated basis by
Consolidated Press Holdings Limited
Notice is hereby given that for the six months Interest Period commencing 30th November, 1992 to 28th May, 1993 the Notes will bear a Rate of Interest of 4.7031% per annum.
The Interest Amount payable on 28th May, 1993 will amount to U.S. $23,384.86 per U.S. $1,000,000 Note.
The Mitsubishi Bank, Limited
London Branch
Agent Bank

National Westminster Bank
(Incorporated in England with limited liability)
US$ 500,000,000 Primary Capital FRNs (Series "C")
In accordance with the provisions of the Notes, notice is hereby given that for the three month interest period from November 30, 1992 to February 26, 1993 the Notes will carry an interest rate of 4% per annum.
The interest payable on the relevant interest payment date, February 26, 1993 against coupon No. 29 will amount to US$ 97.78 for Notes of US$ 10,000 nominal and US$ 977.78 for Notes of US$ 100,000 nominal.
The Agent Bank
Kredietbank S.A. Luxembourgeoise

THE COMMERCIAL COMPANY OF SALONICA PLC.
Notice is hereby given that the Nineteenth Annual General Meeting of the Company will be held at the Company's office in Athens (Greece), Kerkyras Street 49, on Monday the 28th day of December 1992 at 12:00 noon, for the following purposes:
1) To receive the report of the Directors and the audited Accounts of the Company, for the Financial Year ended 31st December 1991.
2) To propose the following resolution for the reelection of Directors, of which special notice has been given to the Company in accordance with section 293 and 369 of the Companies Act 1985: That Mrs. Charlotte J. Saporta, who has attained the age of 70 years, be reelected as Director of the Company.
3) To approve the reappointment of Mr. Antonios F. Coumboulis, who offers himself for reelection as Director of the Company.
4) To approve the appointment of Mrs. Marion P. Papathanassiou as Director of the Company.
5) To decide about the appointment of the auditors of the Company.
6) To approve that the remuneration of the auditors shall be fixed by the Board and to determine the remuneration of the Directors.
In accordance with article 21 of the articles of association, shareholders desiring to be present at or to vote at the meeting, must deposit their shares at least five days before the meeting at the offices of the Company at Thessaloniki, or the Company's office in London, Messrs. Chantrey Vellacott (C.D. Tzavellas), 10-12 Russell Square, London WC1B 5LF, or at Pierson, Heldring and Pierson, Amsterdam.
Any member of the Company entitled to attend and vote at the meeting, may appoint another person (member of the Company or not), as his proxy to attend and vote instead of him.
Salonica, November 12th, 1992
By Order of the Board
Charlotte J. Saporta, Director

Burns and Roe Securacom, Inc.
has changed its name
to
SECURACOM INCORPORATED
The company is engaged in
the
Planning • Design • Engineering • Management • Support
of
Large-scale Security Projects
for
Business and Government.
New Jersey • Virginia • California

STATE BANK OF SOUTH AUSTRALIA
Yen 1,000,000,000
Guaranteed Floating Rate Notes due 1994
unconditionally guaranteed by
The Treasurer of the State of South Australia
Interest Period: 30th November, 1992 to 28th May, 1993
Interest Rate: 6% per annum
Interest Payment due 28th May, 1993 per Yen 100,000,000 Note: Yen 2,841,028
The Nippon Credit Bank, Ltd., Tokyo
Agent Bank
30th November, 1992

U.S. $500,000,000
Lloyds Bank Plc
(Incorporated in England with limited liability)
Primary Capital Undated Floating Rate Notes (Series 2)
For the three months, November 30, 1992 to February 26, 1993 the Notes will carry an interest rate of 4⅛% p.a. with a Coupon Amount of U.S. $99.31 payable on February 26, 1993.
By: The Chase Manhattan Bank, N.A. London, Agent Bank

U.S. $34,000,000
BANCA SERFIN, S.A.
Floating Rate Notes due 2004
For the interest period from November 29, 1992 to May 29, 1993 the rate has been determined at 5% per annum. The amount payable on June 1, 1993 per U.S. $500,000 principal amount of Notes will be U.S. $12,569.44.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 30, 1992 CHASE

U.S. $53,000,000
BANCA SERFIN, S.A.
Floating Rate Notes due 2000
For the interest period from November 29, 1992 to May 29, 1993 the rate has been determined at 5% per annum. The amount payable on June 1, 1993 per U.S. $500,000 principal amount of Notes will be U.S. $12,569.44.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 30, 1992 CHASE

U.S. $400,000,000
Banque Française Du Commerce Extérieur
Guaranteed Floating Rate Notes due 1997
For the three months November 30, 1992 to February 26, 1993, the Notes will bear interest at 4⅜% per annum. U.S. $100.83 will be payable on February 26, 1993, per U.S. $10,000 principal amount of Notes.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 30, 1992 CHASE

PIONEER ELECTRONIC CORPORATION
Notice is hereby given to holders of CDR's issued by Caribbean Depositary Co., N.V. evidencing shares in the above company that the "Second quarter report 1993" of Pioneer Electronic Corporation ended September 30, 1992 may be obtained from:
N.V. Nederlandsch Administratie- en Trustkantoor, Herengracht 420, 1017 BZ Amsterdam
and
The Bank of Tokyo Ltd, established in Tokyo, Brussels, London, Düsseldorf, Paris and New York.
Pierson, Heldring & Pierson N.V.
Amsterdam, November 24, 1992

U.S. $300,000,000
Woodside Financial Services Ltd.
(Incorporated in the State of Victoria)
Guaranteed Floating Rate Notes due February 1997
Unconditionally Guaranteed by
The Industrial Bank of Japan, Ltd.
In accordance with the Terms and Conditions of the Notes, notice is hereby given, that for the Interest Period from November 30, 1992 to February 26, 1993 the Notes will carry an Interest Rate of 5¼% per annum. The amount payable on February 26, 1993 will be U.S. $3,208.33 and U.S. $128.33 respectively for Notes in denominations of U.S. $250,000 and U.S. $10,000.
By: The Chase Manhattan Bank, N.A. London, Agent Bank CHASE
November 30, 1992

KUWAM CORPORATION
and its
private investment partnership
Special Situation Investment Holdings, Ltd.
have completed
the
recapitalization and restructuring
of
SECURACOM INCORPORATED
and
have acquired majority ownership
of
the corporation.

Can. $75,000,000
Province of New Brunswick
Floating Rate Notes due May 1994
Notice is hereby given that in respect of the Interest Period from November 30, 1992 to February 26, 1993 the Notes will carry an Interest Rate of 8⅞% per annum. The amounts payable on February 26, 1993, against Coupon No. 35 will be Can. $206.25 for Bearer Notes of Can. $10,000 principal amount and Can. $20.63 for Bearer Notes of Can. $1,000 principal amount.
By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 30, 1992 CHASE

Banque Indosuez
U.S. $200,000,000
Floating Rate Notes due 1997
For the three months 30th November, 1992 to 26th February, 1993 the Notes will carry an interest rate of 4⅛% per annum and coupon amount of U.S. $103.13 per U.S. $10,000 Note, and U.S. $2,578.13 per U.S. $250,000 Note.
Listed on the Luxembourg Stock Exchange
Bankers Trust Company, London Agent Bank

NOTICE OF RATE OF INTEREST
BANQUE EXTERIEURE D'ALGERIE
US$500,000,000
Floating Rate Notes due 2000
In accordance with the provisions of the Agency Agreement between Banque Extérieure d'Algérie and Citibank N.A., dated as of May 22, 1985 notice is hereby given that the interest has been fixed at 5.25% p.a. and that the Coupon Amount payable on May 28, 1993, against Coupon No. 16 will be US$261.04 for each Note of US$10,000 and US$2,610.42 for each Note of US$100,000.
By CITIBANK, N.A. (Issuer Services Dept) London Agent Bank

Notice to the holders of the Warrants of
NIPPON OIL COMPANY, LIMITED
U.S.$500,000,000
2 ¾ per cent. Bonds 1993 with Warrants (the "Warrants")
Pursuant to Clause 3 of the Instrument dated 14th December, 1989, concerning the Warrants, notice is hereby given as follows:
Nippon Oil Company, Limited has made an issuance of Japanese Yen ("Yen") 50 billion Convertible Bonds due 2000 on 25th November, 1992 at the initial conversion price of Yen 626 per share which is less than the current market price per share of Yen 653.90 on 25th November, 1992 calculated as provided in Clause 3 of the Instrument.
As a result of such issuance and pursuant to Clause 3 of the Instrument, the subscription price of the Warrants has been adjusted effective as from 26th November, 1992 (Japan time) as follows:
Before adjustment: Yen 1,825.00
After adjustment: Yen 1,820.20
Nippon Oil Company, Limited
30th November, 1992

SOCIETE GENERALE
USD 500.000.000 UNDATED SUBORDINATED FLOATING RATE NOTES
For the period November 30, 1992 to May 28, 1993 the new rate has been fixed at 3,98125 % P.A.
Next payment date: May 28, 1993
Coupon nr: 13
Amount: USD 197,96 for the denomination of USD 10 000
USD 1979,57 for the denomination of USD 100 000
THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

U.S.$900,000,000
Floating Rate Subordinated Loan Participation Certificates due 2000
issued by Salomon Brothers Aktiengesellschaft for the purpose of financing a subordinated loan to
The Mitsubishi Bank, Limited
Notice is hereby given that for the three months interest period from 30th November 1992 to 26th February 1993 the Certificates will carry a Coupon Rate of 4.1875% per annum.
Coupon payable on 26th February 1993 will amount to:
US$1,023.61 per US$100,000.00 Certificate and
US$10,236.10 per US$1,000,000.00 Certificate, respectively.
Mitsubishi Bank (Europe) S.A.
As Agent Bank

BANQUE NATIONALE DE PARIS
ECU 100,000,000
Floating Rate Notes due 1996
Notice is hereby given that the rate of interest for the period from November 30th, 1992 to February 26th, 1993 has been fixed at 10.6875 per cent per annum. The coupon amount due for this period is ECU 261.25 per ECU 10,000 denomination and is payable on the interest payment date February 26th, 1993.
The Fiscal Agent
Banque Nationale de Paris (Luxembourg) S.A.

CIVAS INTERNATIONAL LIMITED
SERIES CIVAS 19
U.S.$428,000,000
Secured Floating Rate Notes due 2000
Interest Rate 4.1875% p.a. Interest Period November 30, 1992 to February 26, 1993. Interest Payable per US$100,000 Note US$1,023.61.
November 30, 1992, London
By Citibank, N.A., (Issuer Services), Agent Bank

Bonds Currencies Energy Metals
Objective analysis & strategies for the professional investor.
Trend Analysis Ltd
Fiennes House, 32 Southgate Street
Winchester, Hants SO23 9EH Fax 0424 774067
Tel 0962 879764

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Cool response to signs of recovery

IT WAS short, but it was sweet. The Thanksgiving holiday meant that trading on US bond markets was restricted to three-and-a-half days. But in that abbreviated period, there was both good news on the economy and a remarkably sanguine response from bond traders.

Normally, signs of economic strength depress bond prices, pushing up yields, as investors fret about looming inflationary dangers. But the Commerce Department's announcement on Wednesday that the nation's economy grew by a sturdy 3.9 per cent during the third quarter – a large upward revision from the previous-reported 2.7 per cent rate – brought only the slightest of reactions. The 30-year long bond, for example, fell by $\frac{1}{16}$ to $100\frac{1}{16}$, where it yielded 7.53 per cent. By Friday's 2pm close, the price had edged only marginally lower, and the yield stood at 7.59 per cent.

At first glance, this apparent stoicism was surprising. The third-quarter growth rate, after all, was the strongest registered for four years, and release of the revised data came amid a raft of other encouraging economic news. This included, for example, a 4 per cent increase in durable goods orders in October (although the gain was heavily concentrated in aircraft, automobiles, and defence); a sharp jump in the Conference Board's index of consumer confidence, from 54.6 in October to 65.5 in November; and a 12,000-strong fall in initial claims for state unemployment insurance for the week ended November 14.

There are two simple explanations for the market's response. The first is the thought that an economy which is demonstrably recovering under its own steam will be less likely to provoke a large fiscal stimulus package from the Clinton administration next year. The President-elect seemed anxious to reinforce this impression when, amid the Thanksgiving festivities in Little Rock, he said the latest growth figures "could have some impact on short-term judgments" – although he also stressed that it would not affect his long-term plans to improve the nation's competitive stance.

More simply, despite the upturn in industrial activity, there is relatively little sign of any serious inflation threat. In fact, the same Commerce Department report which revised the growth figure, also tweaked the "price deflator", to show a 1.7 per cent annual rate for the third quarter, compared with the 2.0 per cent rate estimated last month.

Third, there is a widespread conviction that this robust level of growth will not be repeated in the immediate future, even if the economy is edging out of the doldrums. It is true that some economic growth forecasts for the first half of 1993 are being nudged higher, but many pundits are happy to stick around the 2.5 per cent mark. This, in turn, might warrant some modest decline in bond prices, but there is a widespread expectation that yields at the long end will hover around the 7.75 per cent mark.

This week, further confirmation that the economy is on a slow recovery tack is expected in a steady flow of statistics. It will start with the October leading indicators, to be released on Tuesday; work on to factory orders and auto sales on Thursday; and culminate in the November employment data on Friday. There is little doubt that Friday's news will be the focus of the week: analysts are looking for some further pick-up in non-farm job growth, although they still expect this to come from the service sector, with manufacturing registering another overall loss of jobs. The unemployment figure itself is predicted to remain at around the 7.4 per cent mark.

Nikki Tait

UK GILTS

Differing views on prospects for prices

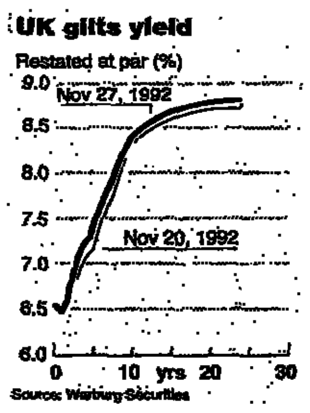
GILTS moved slightly lower as the market digested the implications of the Bank of England's plan this Wednesday to auction £2.5bn of a new 10-year benchmark bond.

The sale of the 8 per cent stock due 2003 is expected to proceed reasonably smoothly, after some reports last week that foreign investors were showing enthusiasm for the securities on offer.

However, the auction is likely to ram home in the minds of many investors the large volumes of gilts due to go on sale over the next two years due to the need to fund Britain's burgeoning public sector borrowing requirement.

The admission from Mr Alan Budd, the Treasury's chief economic adviser, that it would be "many years" before the government's finances returned to surplus did little to damp concern about funding. Mr Budd told a Commons select committee, that because of the depth of the recession the proportion of total UK output accounted for by the government deficit would rise "for some years".

UK gilts yield



Source: Warburg Securities

This marks a change in the Treasury's thinking about the PSBR. In last month's Autumn Statement, the Treasury said the proportion would be about 7 per cent of GDP in 1993-94, amounting to roughly £44bn. Many gilt specialists have come round to the view that yearly deficits of this size will continue during the mid to late 1990s.

However, as to the Treasury's thinking about the profile for the deficit later in the 1990s, the gilt market has little to go on other than figures set out in the March Budget. According to this, the PSBR as a proportion of GDP was due to peak in 1993-94 at 4.75 per cent and then come down to 3.5 per cent in 1994-95.

While gilt yields moved up along the yield curve by a few basis points on the week, there were differing views as to how prices will change over the next few weeks. Mr Nigel Richardson, a gilt specialist at S.G. Warburg Securities, reckons demand will be subdued on account of the funding problems and indications that weak inflationary pressures may be starting to exert themselves.

Indications of this sort came with latest figures for the volume of banknotes in circulation, which suggested that M0, the narrow measure of the money supply which is a good guide to overall demand, rose during November by about 3 per cent compared with November last year. If confirmed when the Bank issues official M0 figures on December 18, that would be the biggest year-on-year rise for M0 in any month this year.

Echoing Mr Richardson's concerns about a recovery and its likely impact on inflation, the National Institute of Economic and Social Research said that the Treasury's target of keeping underlying inflation at less than 4 per cent could be exceeded during 1993.

More positive about the future for gilts is Mr Malcolm Roberts, a bond analyst at UBS Phillips & Drew. He reckons that investors in longer-dated securities will take heart from indications that the UK will be in no hurry for further cuts in base rates, now at 7 per cent. That should put a floor under prices at this end of the curve, and cause significant buying of securities of longer maturities, particularly from overseas investors, giving the overall gilt market a boost.

Peter Marsh

EUROPEAN GOVERNMENT BONDS

Fears of fresh upheaval in the ERM

GERMANY remains a safety play as tensions in the European exchange rate mechanism continue. In spite of the recent realignments of parities in the ERM, economists and analysts agree that the crisis is not over. Fear of further ERM realignments kept markets such as Irish gilts, and Spanish, Portuguese and Danish government bonds under pressure last week.

The key to the survival of the ERM remains the interest rate stance of the Bundesbank. Some observers insist that it will cut rates on December 10 to suit domestic needs and EC politics ahead of the Edinburgh summit. Others, pointing to remarks by Mr Hans Tietmeyer, deputy president of the Bundesbank, insist it will continue to follow a policy of unreconstructed monetarism.

Meanwhile, several European markets regained some of the ground lost on German bonds in the latter part of last week, after Germany produced the week's biggest disappointment – its poor inflation and money supply figures. Provisional figures for November showed inflation stubbornly high at 3.7 per cent for the second month in succession, with forecasts saying it is heading for 4 per cent. Money supply is growing at more than 10 per cent on an annualised basis.

Analysts say that the realignments have highlighted the attractions of the stronger currencies. They say we are

Hans Tietmeyer: Bundesbank holds key to ERM's survival

witnessing a decoupling of the two tiers, and that currency uncertainty is now shifting to Ireland, Denmark and France. These three countries are seeing the most dramatic changes in yield curves as short-term rates rise to defend the currencies. Ireland was only delaying inevitable devaluation, agreed bond analysts late last week. The high short-term rates introduced to defend the punt have sharply inverted the yield curve and are not sustainable.

If Ireland does devalue, they say, Denmark and even France could move into the firing line. Although Denmark's latest inflation figure is one of the lowest in the EC, its trading position is becoming more vulnerable as other currencies are devalued. Denmark has suffered particularly badly in the ERM turmoil. Given its much lower inflation rate than Germany, and much better government finances, its 10-year spread of around 160 reflects entirely devaluation risk, say analysts. It could tighten significantly in the near term.

Political uncertainty continues to put a question mark over France. With elections due next March, the "franc fort" policy may be further challenged. Before Sweden devalued, there had been hopes of a French cut irrespective of German action: French franc bonds are suffering as rate cut expectations have been disappointed, say analysts.

France's new problems include the possibility of its vetoing the EC/US farm accord. The margin between French and Germany government bonds, which has been fluctuating with the perceived devaluation risk, did start to narrow again to finish the week just above 90 basis points. They could tighten towards 80 basis points this week if devaluation fears subside, says Mr Michael Burke of Yamaichi.

"Whether this spread narrows or widens depends on whether the franc can be seen as a hard currency or not," adds Mr Malcolm Roberts of UBS Phillips & Drew. "On straight economic fundamentals, France should yield less than Germany." S.G. Warburg Securities, on the other hand, argues that the spread could widen to 125 basis points as investors question the franc's status as a Tier 1 ERM currency. If it survives the present crisis, the franc could move to a narrow 1 per cent band against the D-Mark, joining the Benelux countries at the hard core of an evolving ERM, says Mr Julian Jessop of Samuel Montagu.

The French yield curve continues to shadow the D-Mark and the other hard core currencies, but with higher rates at the short end to defend the currency and at the long end where there is less certainty about inflation.

Looking further ahead, Mr Neil MacKinnon, chief economist at Citibank in London, is taking what some might regard as an extreme position. He argues that while 1992 has been the year of the D-Mark, Germany's accumulating inflation problems, high public sector borrowing requirement and other factors will lead to a reappraisal and end what he describes as its near mythic status.

"Germany is very much an accident waiting to happen," he says, predicting that the Bundesbank will at some stage have to cut interest rates dramatically. "It will be weaker against not just the dollar but other European currencies."

Mr Burke agrees that the D-Mark could weaken, at least against the harder ERM currencies. "The Bund market is looking overbought," he says.

Brian Bollen

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. on week	Yield
[illegible]					

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 27

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U.S.$200,000,000

6¼% Notes due 1997

J.P. Morgan Securities Ltd.

Credit Suisse First Boston Limited — Deutsche Bank AG London

Goldman Sachs International Limited — Merrill Lynch International Limited

Nomura International — Bank of Tokyo Capital Markets Group

Paribas Capital Markets — Swiss Bank Corporation

UBS Phillips & Drew Securities Limited

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17th November 1992

THE WEEK AHEAD

ECONOMICS

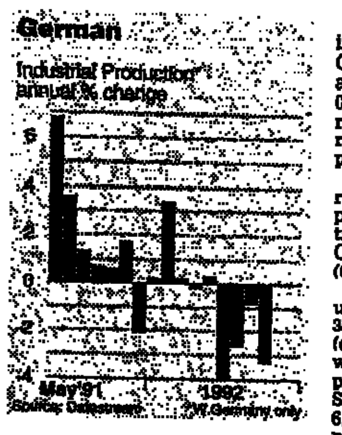
Bad news looms on German stagflation

IMPORTANT news from Germany this week where a crop of figures on the real economy are due for release.

The data – including third quarter gross domestic product, November unemployment, and October industrial production – are expected to show a stagflating economy. This will add to pressure for the Bundesbank to ease lending rates and breathe life into European economies.

In spite of a small recovery in personal consumption in the third quarter, German GDP will probably show another quarter on quarter fall and unemployment is forecast to rise again.

The following are other highlights. Figures in brackets are the median of forecasts from MMS International.



Today: US, Nov Chicago NAPM, Q3 merchandise trade balance of payments, Nov agriculture prices; Canada, Sept real GDP (unchanged), Sept building permits (up 0.5 per cent), Q3 real GDP (up 1.9 per cent on quarter), Q3 consumption (up 1.1 per cent on quarter), Q3 deflator (up 1.4 per cent on quarter), Q3 current account ($27.9bn deficit); Japan, Oct construction orders, Oct housing starts (up 14 per cent), Oct construction starts; Australia, Oct current account (A$1.11bn deficit), unions national day of action; New Zealand, Q2 GDP expenditure; France, Oct unemployment rate (10.4 per cent), Oct job seekers.

Tomorrow: US, Oct leading indicators, Nov US NAPM index, Oct construction spending; Canada, Sept leading indicator (down 0.2 per cent); Japan, Nov forex reserves, Oct unemployment rate; Australia, Q3 GDP (up 0.4 per cent);

Wednesday: UK, Nov official reserves (down £2bn); Germany, parliament to ratify Maastricht treaty; US, Oct new home sales; Canada, Nov help-wanted index (65.0).

Thursday: Germany, Nov unemployment – west (up 35,000), Oct employment – west (down 20,000), Nov vacancies – west (down 12,500), Nov unemployment – east (down 12,500), Short-time work – east (up 6,000), Q3 GDP – west (down 0.5 per cent on quarter), Q3 GNP – west (down 0.5 per cent on quarter); US, initial claims w/e Nov 21, state benefits w/e Nov 14, Oct factory orders (up 0.8 per cent), Oct factory shipments, Q3 productivity revenue, car sales Nov 21-30, truck sales Nov 21-30; Canada, Nov foreign reserves (down C$3bn).

Friday: US, Nov nonfarm payrolls, Nov hourly earnings, Nov manufacturing payrolls, Nov average workweek, Nov unemployment rate (7.4 per cent); Canada, Nov employment (up 0.1 per cent), Nov unemployment rate (11.3 per cent); Japan, Oct current account, Oct trade balance, Oct foreign bond investment; New Zealand, Q3 prevailing wage rates, producer price index; Denmark, Oct trade excluding ships.

During the week: Germany, Oct industrial production (down 0.5 per cent), Oct manufacturing output (down 0.8 per cent), Oct trade balance (DM4.5bn surplus), Oct current account (DM3.5bn deficit), Oct manufacturing orders (down 0.5 per cent on month); Denmark, Oct unemployment rate (11.4 per cent); Holland, Nov CPI (flat on month, up 2.9 per cent on year); Switzerland, Nov CPI (up 3.2 per cent), Nov unemployment rate (3.7 per cent), Q3 GDP (flat on year); Japan, wholesale prices index, second 10 days, Q3 GNP (up 2.1 per cent).

Emma Tucker

RESULTS DUE

THE main interest in GEC's interims, due on Wednesday, will be not so much in the profits as the dividend. Last year's interim payment was held. But the final was raised by 5 per cent, despite unchanged earnings per share for the year.

This time, profits are expected to be only modestly up, in the range £350-360m (£346m). But GEC is still accumulating cash at a ferocious rate. At the start of the year, net cash – including GEC's share in joint ventures – stood at £1.4bn. It is expected to reach £1.5bn by the year end.

Lord Weinstock can certainly afford an increase. The question this can be ahead of earnings. Given encouraging news from Germany on the future of the European Fighter project, there is perhaps scope for generosity.

Hanson, the Anglo-US conglomerate, is expected to have suffered its first-ever year on year fall in pre-tax profits when it announces its full-year results on Thursday. Pre-tax profits are likely to have fallen to around £1.24bn (£1.31bn). The fall is less than it might have been – £100m of exceptionals will be taken above the line in accordance with the new accounting rules.

Allied-Lyons is expected to report first-half profits tomorrow of £280m (£276m), restated after adjustments. Most of the gain will come from spirits and wine, helped by cost-savings from restructuring of distribution in North America and resilient performances in Spain and Japan. Brewing and pub retailing has been under pressure from the UK recession and the disruption caused by the government's beer orders.

Forecasts of full-year results from Bass on Wednesday range from £515m to £538m – between 20 per cent and 25 per cent up on last year's £430m. The figures will be affected by the levels of exceptional restructuring charges and property disposals. Trading profits are expected to be flat.

Well-publicised trading difficulties for Grand Metropolitan's North American foods business will be reflected in a decline in full-year profits on Thursday from £950m to about £930m. IDV, the group's spirits division, is expected to record another solid advance in trading profits but lower earnings are forecast from the retailing sector, where an improvement in Burger King is unlikely to compensate for pressure on pubs.

Trafalgar House, the construction, engineering and property group, reporting full-year results on Tuesday, is expected to announce that £90m of profits were wiped out by a big tax charge and £50m of writedowns on housing and commercial property. Last year's £122.4m pre-tax profits were reclassified after £102.7m of development properties were deducted, following an investigation by the Financial Reporting Review Panel.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Int. Media Communications, Marriott Hotel, Duke Street, W., 11.00
St. Ives, St Ives House, Lavington Street, S.E., 10.00
Stainless Metalcraft, Milton Hall, Church Lane, Milton, Cambs., 12.00
Tay Homes, Queen's Hotel, City Square, Leeds, 2.30
BOARD MEETINGS:
Finals:
Millwall
Raglan
Interims:
Assoc. Nursing Services
Borthwicks
Chubb Security
Crown Eyeglass
East Surrey Hldgs.
European Colour
Greene King
Harris (Philip)
Hoskins Brewery
JLI
Kenwood Appliances
Leigh Interests
Merrydown Wine
Racal Elects.
Scott Pickford
Scottish Power
Specialeyes
Verson Intl.
Vistec
Wood (SW)

TOMORROW
COMPANY MEETINGS:
Allied London Properties, Inn on the Park, Hamilton Place, W., 12.00
UDO Hldgs., Great Eastern Hotel, Liverpool Street, E.C., 11.00
BOARD MEETINGS:
Finals:
Beau
Huntingdon Intl.
MEPC
Prospect Inds.
Trafalgar House
Interims:
Allied Colloids
Allied-Lyons
Andrews Sykes
BSS
Crossroads Oil
Feedback
Leeds Group
London Electricity
Norweb
Oriflame
Sterling Publishing

WEDNESDAY
COMPANY MEETINGS:
Air London Intl., The Registry, Royal Mint Court, E.C., 10.00
Marlvale Moore, 3-4, Bentinck Street, W., 12.00
Waverley Cameron, Bicester Business Centre, Market Court, Victoria Road, Bicester, 12.00
BOARD MEETINGS:
Finals:
Granada
M & G Group
Interims:
Alba
Collyns
Cape
Erskine House
GEC
Harrison Inds.
Low. & Bonar Freighters
Moorview Estates
Porter Chadburn
Quilligotti
Rowlinson Sec.
Salvesen (Christian)
Tops Estates
Yorkshire Water

THURSDAY
COMPANY MEETINGS:
Embassy Property, 2, Cornwall Street, Birmingham, 10.00
Investors Capital Trust, 1 Charlotte Square, Edinburgh, 12.30
BOARD MEETINGS:
Finals:
Grand Metropolitan
Hanson
Metro Radio
Murray Enterprises
Royal Bank of Scotland
Interims:
Dawson Electricity
Johnson Matthey
Latham (James)
London Intl.
Oceonics
Scapa
Scottish Hydro-Elect.
Severn Trent
South New Court
Sylfiona
Tex Hldgs.

FRIDAY
COMPANY MEETINGS:
Bolton Group, 334A, Goswell Road, E.C., 11.00
Eleco Hldgs., Institute of Directors, 116, Pall Mall, S.W., 12.00
Halstead (James), Holiday Inn Crowne Plaza Midland, Peter Street, Manchester, 12.00
Highland Distilleries, Royal Scottish Automobile Club, 11, Blythswood Square, Glasgow, 12.00
TR Far East Income Trust, Mermaid House, 2, Puddle Dock, E.C., 12.00
BOARD MEETINGS:
Finals:
Dobson Park Inds.
Wolters & Dudley Brews.
Interims:
Vtech Hldgs.

Company meetings are AGMs unless otherwise stated.

PARLIAMENTARY DIARY

TODAY

Commons: Questions to Social Security ministers, Church Commissioners and Lord Chancellor's Department. Social Security Bill, second reading.

Lords: British Coal and British Rail (transfer proposals) bill, committee.

Committees: Public Accounts Committee, 4.30. Subject: Ministry of Defence spares. Witness: Dr Malcolm McIntosh, chief of defence procurement, Ministry of Defence. Home Affairs Sub Committee, 4.45. Subject: Delays in the immigration and nationality department. Witnesses: Joint Council for the Welfare of Immigrants.

TOMORROW

Commons: Employment questions. 3.15pm, Questions to the Prime Minister. European Communities (amendment) bill, committee.

Lords: British Coal and British Rail (transfer proposals) bill, committee. Income support (general) amendment regulations.

Committees: Trade and Industry, 4pm. Subjects: British energy policy and the market for coal. Witness: Association of Independent Electricity Producers, Shell UK, and Ofgas. Employment, 4.15. Subject: prospect of job losses in horse-racing industry as result of VAT changes. Witnesses: HM Customs and Excise.

WEDNESDAY

Commons: Trade and Industry questions. European Communities (amendment) bill, committee.

Lords: Debates on Tomlinson report on London health service and arrangements for seeking impartiality in broadcasting. Gas (exempt supplies) bill, report.

Committees: Environment, 9.15. Subject: forestry and environment. Witnesses: Wildlife Link, Royal Society for the Protection of Birds, Royal Society for Nature Conservation, Worldwide Fund for Nature, Council for the Protection of Rural England, Ramblers' Association. Trade and Industry, 10.30. Subject: British energy policy and market for coal. Witnesses: HM Inspectorate of Pollution, National Grid, Union of Democratic Mineworkers. Welsh Affairs, 10.45. Subject: work of the Welsh Office. Witnesses: Agriculture Development and Advisory Service, Housing for Wales. Transport, 11am. Subject: future of the railways. Witnesses: Eurotunnel, Railway Industries Association, Central Railway Group, Railway Industry Association and CAIB UK. Standing Orders. Subject: King's Cross bill. Employment, 4pm. Subject: employment consequences of British Coal's proposed programme of pit closures. Witnesses: Neil Johnson, director-general, Engineering Employers' Federation, Sir Bob Reid, chairman, British Rail. Education, 4.15. Subject: special educational needs. Witnesses: Audit Commission, Her Majesty's Chief Inspectorate of Schools. Health, 4.15. Subject: dental services. Witnesses: Dental Education Advisory Council and central committee for university dental teachers and research workers of the British Dental Association. Public Accounts, 4.15. Subject: VAT avoidance. Witness: Sir Brian Unwin, chairman, HM Customs and Excise. Treasury and Civil Service, 4.15. Subject: implementation of interest rate charges. Witness. Lord Alexander of Weedon, chairman, National Westminster Bank. Home Affairs, 4.45. Subject: domestic violence. Witnesses: Mr Michael Jack, minister of state; Miss Margaret Clayton, home office. Transport, 5pm. Subject: future of the railways. Witnesses: Mr C. Green, managing director, InterCity, Mr J. Nelson, managing director, Network SouthEast; Mr J. Cornell, managing director, regional railways, British Rail.

THURSDAY

Commons: Agriculture questions. 3.15pm, Questions to the Primo Minister. Judicial pensions and retirement bill, second reading.

Lords: Foreign compensation (amendment) bill, third reading. Car tax (abolition) bill, all stages. Sea fish (conservation) bill, third reading. Criminal justice bill, report.

Committees: National Heritage, 10.30. Subject: privacy and media intrusion. Witnesses: Mrs Linda Townley, Press Complaints Commission.

FRIDAY

Commons: Backbench debate on the UN.

Lords: Not sitting.

DIVIDEND & INTEREST PAYMENTS

TODAY
Adscene 7¾% Cv. Rd. Cm Pf. 3.875p
Allied-Lyons 5½% Cm. Pf. 1.925p
Do. 7½% Cm. Pf. 2.625p
Auto. Security 6% Cv. Cm. Rd. Pf. 3p
Bankers Inv. Tst. 0.88p
Do. 3.5% Cm. Pf £1.75
Bank of Scotland 9¼% Non-Cm. Irrd Pf. 4.625p
Do. 9¾% Non-Cm. Irrd. Pf. 4.875p
Do. Und. Var. Rate Nts. $117.50
BBA 6.75% Cm. Rd. Cv. Pf. 3.375p
Blockleys 0.5p
Blue Circle 10¾% Bd 2013 C$37.50
BNB Res. 1.8p
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1994 £274.49
Bristol (City of) 11½% Rd. 2008 £5.75
British Alcan Aluminium 10¾% Db. 2011 £5.1875
Bryant 8% Cm. Pf. 2.8p
BTR Nylex A$0.0475
Capital & Counties 5¾% 1st Mtg. Db. 1985/2000 £3.4375
Cater Allen Gilt Inc. Fd. Ptg. Pf. 30p
Chase Manhattan Fltg. Rate Sb. Nts. 1997 $87.92
Chrysler Fin. 13.25% Nts. 29/11/94 $662.50
City of Oxford Inv. Tst. 1.2p
Collateralised Mortgage Sec (No.5) Mtg. Bckd. Fltg. Rate Nts. (Class A1) £200.38
Do. (Class A2) £285.46
Do. (Class A3) £288.02
Do. (No.8) Mtg. Bckd. Fltg. Rate Nts. 2028 £228.15
Do. (No 9) Mtg. Bckd. Fltg. Rate Nts. 2033 (Class A1) £153.97
Do. (Class A2) £285.48
Do. (Class A3) £287.52
Contra-Cyclical Inv. Tst. Inc. 2.25p
Co-operative Bank 9.25% Non-Cm Irrd. Pf. 4.625p
Cropper (James) 9% Un. Ln. 1994/99 £4.50
Dairy Farm Int. (Bermuda) $0.0148
Do. (Jersey) $0.0148
Dunlop Plants. 6% Cm. Pf. 2.1p
Elect. & Gen. Inv 10¾% Db. 2011 £5.375
Fifth Throgmorton Co 7¼% Cv. Un. Ln. 2003 0.90625p
Finsbury Avenue Ests. 11% 1st Mtg. Db. 2014 £5.50
[illegible]
Canada Fltg. Rate Nts. Nov. 1998 C$819.32
Glasgow Inc. Tst. 0.8p
Goodhead 0.5p
Do 7% Cv. Rd. Pf. 3.5p
Greene King 6¼% Un. Ln. 1988/93 £3.125
Halifax Bldg. Society Fltg. Rate Ln. Nts. 1996 £138.05
Do. (Series A) £36.54
Hays 3.1p
Hopkinsons 0.9p
How 0.75p
Hunting 8¼% Cv. Pf 4.125p
Hydro-Quebec 15% Ln. 2011 £7.50
ISA Int. 0.482p
Jove Inv. Tst. Inc 2.6p
Kleinwort Benson Prim. Cap. Und. Fltg. Rate Nts. $237.67
Do (Series 2) $237.67
Lister 5% Cm. Pf. 1.75p
Do. 4% Db. Rd. £2.00
Lloyds Bank Prim Cap. Und. Fltg Rate Nts. (Series 2) $98.28
Lon. & European 10½% Un. Ln. 1993 £5.25
Macquarie Bank Sb. Fltg. Rate Bd 2000 $24.92
Manchester Utd 12p
Manul Hanover Tst. Fltg. Rate Sb. Cap. Nts 1994 £139.05
Maunders (John) 2.65p
Mexico Fd. $0.151
Mezzanine Cap. & Inc. Tst. 2001 5p
Midland Bank 14% Sb. Un. Ln. 2002/07 £7.00
Minstergate 10% Cm. Pf. 5p
Mitsubishi Bank Fltg. Rate Sb. Un. Ln. Ppcn. Cts. 2000 $979.17
Mitsui O.S.K. Lines Fltg Rate Nts. 1997 Y10076.0
NatWest Bank Und. Var Rate Nts. $120.11
Do. Prim. Cap. Fltg. Rate Nts. Series C $94.65
Nationwide Bldg. Society Fltg. Rate Nts. Feb. 1993 £273.69
NCR 4% Gtd Ln. 1983/98 £2.00
Do 8¼% Gtd. Ln. 1983/98 £4.25
New Brunswick Fltg. Rate Nts May 1994 C$13.71
NHL Dld Inf Mtg. Bckd. Fltg. Rate Nts. 2028 £543.60
O.K. Bazaars 8% Gross Cm. 2nd Pf. R0.08
Oseory Ests. 12.5% Bd. 1996 £18663.01
Paterson Zochonis 7.5% Cm. Pf. 3.75p
Do. 10% Cm. Pf. 5p
Presidio Oil $0.025
Rugby Gtd. Fltg. Rate Nts. Feb. 1997 $14067.36
Do Gtd. Fltg. Rate Nts Aug. 1997 $9870.00
Do. Gtd. Fltg. Rate Nts. 1998 $9870.00
Record Hldgs. 1.15p
Ricardo Int. 3.8p
RMC Cap. 9¾% Cv. Cap. Bd. 2006 £43.75
[illegible]
Russell (Alexander) 1p
Rutland Tst. 0.27p
Sainsbury (J.) 6½% 1st Mtg. Db. 1988/93 £3.25
St. Modwen Prop. 8½% Cm. Rd. 2nd Pf 4.25p
Sanwa Bank Sb. Fltg. Rate Nts. 2000 $979.17
Save & Prosper Return of Assets Inv. Tst. 6 3-13.3% Ltd. Ptg. Pf. 5.95p
Scantronic Cv. Rd. Pf. 3.625p
Scottish TV 1.725p
Senior Eng. 1.2p
Sidlaw Cv Rd. Pf. 4.26p
Birder 3.5p
Sphere Inv. Tst. 0.76p
Sterling Publishing 6% Cv. Cm Rd. A Pf. 2000 3p
Do 8% Cv. Rd. Pf 2000 4p
Stoddard Sekers 4% Cm. Pf. 2p
Svenska Int. Sb. Fltg. Rate Nts. 1995 $269.79
Tate & Lyle Cv. Rd. Pf. 3.625p
Tesco 2.25p
Thorntons 2.4p
3i Int. Gtd. Fltg. Rate Nts. 1994 £27.61
Throgmorton Tst. 12⅝% Db. 2010 £6.15625
TMC P.I.M.B.S. Fifth Fin. Iss. No 6 Aug. 2028 £208.98
Do. Fourth Fin. Iss. No.1 Aug. 2030 £277.10
Do. Seventh Fin. Class A Iss. No 8 Aug. 2031 £284.04
Do. Class B Iss. No 8 Aug. 2031 £291.74
TR City of London Tst. 1.19p
TR Smaller Co's Inv. Tst. 10½% Db. 2016 £5.25
TSB Var. Rate Sb. Nts. 2003 £265.72
TSB Hill Samuel Bank Perp. Fltg. Rate Nts. $269.79
T.T. Fin. 11⅛% Gtd. Db. 2018 £5.65625
Venturi Inv. Tst. Inc. 1.46p
Wade Potteries 10% Cm. Pf. 5p
Wells Fargo Fltg. Rate Sb. Nts. 2000 $46.21
Wembley 0.2p
West Tst 0.25p

TOMORROW
Amax $0.20
Am. Brands $0.4825
Am. General $0.32
Andrews Sykes Cv. Pf. 3.5p
Anglo Am. Gold Inv. R5.25
Anglo Am. Inv. Tst. R0.72
Austin Reed 2p
Do. A N/Vtg. 2p
Barclays Bank Non-Cm. $ Pf. Series A $0.53125
Do Series B $0.50875
Do. Series C1 $0.421875
Do. Series C2 $0.105475
Do. Series C Units $0.52736
Do. Series D1 $0.43125
Do. Series D2 $0.10781
Do. Series D Units $0.53906
Canning (W) 2.84p
Cater Allen 8% Cm. Pf. 1.75p
Do. 4.2% 2nd Cm. Pf. 2.1p
[illegible]
CNA Gallo 6% Gross Cm. Pf. R0.05
Croda Int. 2.75p
Delta 4.2p
Fleming Claverhouse Inv. 2.5p
Fleming Mercantile Inv. 3.5% Cm. Pf. 1.75p
Do. 4¼% Perp. Db. £2.125
Folkes 0.675p
Do N/Vtg. 0.575p
Ford $0.40
Foreign & Col Inv Tst. 4¼% Perp. Db. £2.125
Frogmore Estates 11.8p
Garton Eng. 1p
Gen. Cons. Inv. Tst. 4¼% A Cm Pf. £1.4875
Genfinance 11.49% Ln. 2007 £57.45
Goodman Fielder Wattie A$0.06
Govett Oriental Inv Tst. 5% Cm Pf. 1.75p
Great Portland Ests. 9½% Cv Un. Ln. 2002 £4.75
Greencore 9½% Cv. Un. Ln. 1995 £4.75
Hambros Inv. Tst. 3½% Cm Pf £1.225
Philip Harris 7½% Cm. Pf. 2.625p
Do 8% B Cm. Pf 2.8p
Hogg Group 3.15p
Ibstock Johnsen 0.5p
Illingworth Morris (Saltaire) 7% Non-Cm. Pf. 1.225p
Inco $0.10
Ingersoll-Rand $0.175
Int. Stock Exh. of UK & Rep. of Ireland 7¼% Mtg. Db. 1990/95 £3.625
IRT Prop 2% Cv Sb Db. June 2002 $50.0
Jardine Strategic (Bermuda) $0.038
Do. (Jersey) $0.038
Jones (A) 6½% Cm. Pf 2.275p
Kirklees Met. Council 11.6% Rd 2031 £5.80
Kleinwort Charter Inv. Tst 4% Cm Pf £2.00
Lamont Hldgs 3.5p
Law Debenture 4½% Db. £2.25
Legal & General 6.2p
Lewis (John) Partnership 5% Cm Pf 1.75p
Do 7½% Cm. Pf. 2.625p
Lombard North Central 6% Cm 1st Pf. 2.1p
Do 5% Cm 2nd Pf. 1.75p
London (County of) 2½% Cons £0.625
Do 3% Cons. £0.75
MB-Caradon Cv. rd. Pf 3.625p
Monks Inv. Tst. 11% Db 2012 £5.50
Monsanto 5% Gtd. Ln 1992/97 £2.50
Do 6¼% Gtd. Ln. 1992/97 £3.125
Murray Smaller Mkts. 4.1% Cm. Pf 2.05p
Ontario & Quebec Railway Cap. C$3.00
Do. 5% Perm. Db. £2.50
Perry 2.75p
QS Hldgs. 1.56p
Reed Int. 4½% Cm. Rd. Pf. 1.575p
Do 5½% Cm. Rd Pf. 1.925p
RMC 5.6p
RPH 4% Cm. Pf. 1.4p
[illegible]
30.25p
Scot. Mortgage & Tst 1.35p
Sony Y25
Suffolk Water 7% Rd Pf. 1996/98 3.5p
Sun Alliance 5.25p
Tay Homes 4.65p
TR Smaller Co's Inv. 10½% Db 2016 £5.25
Union Carbide $0.1875
USLIFE $0.45
Vivat 7% Cm. Pf. 4.9p
Wright (J) 4½% Cm. Pf. 1.575p
War Loan 3½% £1.75

WEDNESDAY
Enterprise Oil 10¾% Un Ln 2013 £5.375
Leeds Permanent Bldg Society Fltg/Fixed Rate Nts. 1997 £500.00
Local Authority 9⅝% Bd. 2/12/92 £4.4175
Do 10⅞% Bd. 2/12/92 £5.455
New Central Wits. R0.72
Norway (Kingdom of) 7% Nts 1996 $350.00
Peel Hldgs 5¼% Cv N/Vtg. Pf 2.625p
Royal Bank of Can Canadian Fd. Ptg Rd Pf C$0.025
Trace Computers 0.9p

THURSDAY
Capital Inds. 1.6p
Edinburgh Inv Tst. 2.85p
Redland 8.25p
Refuge 9.6p
Tate & Lyle Fltg. Rate Nts. 1996 $2182.19
UDO Hldgs. 4.75p

FRIDAY
AAF Inds. 5p
Aberforth Split Level Tst. Inc. 2p
Do Units 2p
Alexandra Workwear 1.6p
Berry Birch & Noble 2p
Bilton 5.67p
Boeing $0.25
Bryant 3.4p
English Natl. Inv Pf 5p
Do Dfd 2.55p
Exmoor Dual Inv. Tst. 1.85p
Do Inc 2.75p
Finsbury Tst. 1.2p
Do A N/Vtg 1.2p
Glltate $0.18
Halstead (James) 7.5p
House of Lerose 3p
IBM Credit Fltg Rate Yen Linked Nts. Dec. 1995 $222.40
Jardine Matheson (Bermuda) $0.037
Do (Jersey) $0.037
Jupiter Tyndall 3p
Laird 4.2p
Lloyds Chemists 4p
Nat. Medical Ents. $0.12
Ocean Wilsons 0.75p
Prudential Currency Fd. Ptg A Rd Pf 6p
Do. Ptg B Rd Pf £6.00
Quarto 1.6125p
Shiloh 0.675p
[illegible]
Wardell Roberts 1R1.27p
Woolwich Bldg. Society Fltg. Rate Nts 1996 £259.94
Yorklyde 4p

SUNDAY
DECEMBER 6
Cleveland Place Hldgs. 7% Rd Db 1988/93 £3.50
GKN 7¼% Gtd. Db. 1987/92 £3.418493
Glynwed Int. 7½% Db. 1989/94 £3.75

CONFERENCES & EXHIBITIONS

DECEMBER 1 & 2
World Telecommunications
This year's conference will focus on the trends changing the shape of the industry: deregulation, privatisation and globalisation. Financing the infrastructure in the Third World and Eastern Europe will also be reviewed.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 873 3975/3969.
LONDON

DECEMBER 2–4
Venture Forum Europe '92
Forum sessions will focus on performance measurement, investor relations, direct investments by institutions, exit strategies and succession problems in European owner-managed businesses.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

DECEMBER 3–4
Distressed Bank Debt Trading
Will examine the growth of the UK & European Market in a series of speeches & panels, comparing it with the US experience. Trading, provisioning, corporate restructuring & a case study will be amongst the topics to be discussed.
Contact: Sue Giddins, Euromoney.
Tel: 071 779 8830.
Fax: 071 779 8835.
LONDON

DECEMBER 7 & 8
The 7th International Energy Conference – World Energy Demand: Is Growth Inevitable?
Convened by The Royal Institute of International Affairs, The British Institute of Energy Economics and The International Association of Energy Economics. To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700.
Fax: 071 957 5710.
LONDON

DECEMBER 8
The Henley Centre Leisure And Tourism Futures
This conference is the culmination of a major research project examining consumer and industry trends in world tourism and focussing on the implications for UK industry. Cost: £250 + VAT.
Contact: Jacqui Gotts.
Tel: 071 353 9961.
LONDON

DECEMBER 8 & 9
The Petrochemical Industry
This year's conference will focus on restructuring and rationalisation, consider the challenge of making operations more competitive and discuss the role of mergers, acquisitions and strategic alliances.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

DECEMBER 9
Directors' Pay
Directors' Pay has never been more controversial. This Institute of Directors half day seminar is designed for directors of small to medium sized companies who understand the importance of pay and benefits in retaining their company's most important asset – its management team.
Enquiries: Directors Conferences.
Tel: 071 730 0022.
LONDON

DECEMBER 10
Britain's Energy Policy And The Coal Crisis
A one-day technology Forum at the Institution of Electrical Engineers when leading figures will debate the issues involved in developing a long term energy strategy for Britain. Contact: Sarah Campbell.
Tel: 071-240 1871 Ext 314.
Fax: 071-497 3633.
LONDON

DECEMBER 10 & 11
Avmark's Seventh Annual Conference on European Aviation:
"Strategic Choices and Financial Options in the Liberalised Market"
Third Package practical implications; the Euro-charters; repercussions of deregulated competition in the North Atlantic; and financial conditions. To be held at the Hyde Park Hotel.
Contact: Emma McCrow, Avmark.
Tel: 071 821 6788. Fax: 071 834 4372.
LONDON

DECEMBER 11
Investing In Effective Visual Communication
CBI/IVCA Conference considers the role of Visual Communication – film, video, multimedia or live events – in companies' marketing and communication strategies and through case studies examines the cost effectiveness of the various methods.
Contact: Karen Acton, CBI Conferences.
Tel: 071 379 7400. Fax: 071 240 1578.
LONDON

DECEMBER 14
CBI Annual Pensions Conference
In association with Clay & Partners, this conference will consider the future of occupational pension schemes. The Secretary of State for Social Security will outline the Government's perspective and key decision makers and advisers will discuss the issues. Contact: Nicki Cox, CBI Conferences. Tel: 071 379 7400.
LONDON

DECEMBER 14 & 15
World Pulp & Paper
Arranged by the FT in association with the Confederation of European Paper Industries, international industry leaders will discuss long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

JANUARY 25 1993
City Of London Central Banking Conference
Central Bankers, investment bankers and authoritative analysts examine issues made even more compelling by the events of Autumn 1992 at a conference sponsored by Central Banking, N M Rothschild and Cityforum with the support of the World Gold Council.
Information from: Marc Lee.
Tel: 0225-466744. Fax: 0225-442903.
LONDON

JANUARY 26 1993
Pensions – The Strategic Issues Roundtable
Finance directors, personnel chiefs, pensions business leaders and politicians discuss solutions to the vital longer term problems in the British Pensions scene. Sponsored by Cityforum, Pensions World, Oppenheimer Capital and EBS.
Information from: Lindsey Nell.
Tel: 0225-466744. Fax: 0225-442903.
LONDON

JANUARY 27 1993
Efficiency And Effectiveness In The Modern Water Business
Centre for the study of Regulated Industries conference, speakers examine the cost of quality and the measuring of efficiency within the water industry. Delegate discussion time included.
Contact: Leigh Sykes, CRI.
Tel: 071-895 6823.
LONDON

JANUARY 27 1993
Latin American Integration Conference
Sponsored by Canning House and the EC Commission this conference looks at the impact of integration initiatives on the countries and regions of Latin America and at the prospects for European industry and finance. An impressive panel contributes.
Information from Lindsey Nell.
Tel: 0225-466744. Fax: 0225-442903.
LONDON

FEBRUARY 18 1993
IT Investment Appraisal
This one day conference is devoted to improving corporate performance in the critical area of IT investment appraisal. The event draws on the practical experience of managers from leading organisations, and reviews a variety of the latest methods and tools.
Contact: Business Intelligence.
Tel: 081-544 1830. Fax: 081-544 9020.
LONDON

FEBRUARY 22 1993
London Motor Conference
The conference will look at the challenges and opportunities facing the European motor manufacturing and component industry and review developments in distribution and franchising.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
LONDON

INTERNATIONAL

DECEMBER 2, 3 & 4
Sponsorship Europe
The international conference on the challenges and developments in the Sponsorship Industry. Will pay attention to e.a. sports, arts, healthcare, music-marketing. For more information, please contact Cornelien Boljens.
Tel: +31 3465 73777.
Fax: +31 3465 73811.
MONTE CARLO, MONACO

DECEMBER 8–9
Finance In The Global Metals Industry
This two day conference provides a timely forum for bankers, stockbrokers, miners, producers, traders and brokers to discuss new and innovative lines of finance now in play. Contact: Metal Bulletin Conferences.
Tel: 081-330 4311.
NEW YORK

DECEMBER 14–15
NATO-Wide Industrial Cooperation And Production Sharing
Approaches, Possibilities, Constraints – ISSC – Conference. Hotel Sofitel Airport International Seminars and Symposia Center.
Tel: (+49) 228-6483-168.
Fax: (+49) 228-6483-200.
BRUSSELS

JANUARY 27 & 28 1993
Suter + Suter Pharma Symposium '93
"Turning Strategy Into Reality". The symposium includes speeches, workshops and visits to pharma companies in Basel. For a full conference programme, please contact: Suter + Suter Pharma, Mr. Rolf Lüdi or Mr. Marcel Hug, P.O. Box 632, CH-4010 Basel. Phone: +41 61 275 75 75. Fax: +41 61 275 74 74.
BASEL

FEBRUARY 10 & 11 1993
Europe – The Way Forward
The aim of the Forum is to look at growth prospects in Europe, the framework for economic and monetary policies, as well as trade and competition policies and the industrial challenges and strategies.
Enquiries: Financial Times.
Tel: 071-814 9770.
Fax: 071-873 3975/3969.
PARIS

FEBRUARY 11 & 12 1993
The Russian Oil Industry: Foreign Investment Opportunities
Convened by The Centre For Foreign Investment & Privatisation, Moscow, Petroleum Intelligence Weekly and The Royal Institute of International Affairs. Sponsored by Bankers Trust Company, ENI, Price Waterhouse and Shell International.
Enquiries: RIIA Conferences.
Tel: 071-957 5700. Fax: 071-957 5710.
MOSCOW

TO ADVERTISE IN THIS SECTION PLEASE CALL ALISON PRIN ON 071 407 5752

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COMPANY NOTICE

CONTINENTAL (BERMUDA) LIMITED
US$250,000,000 Floating Rate Notes due 2006 Guaranteed by Hungarian Foreign Trade Bank Ltd

Notice is hereby given that for the Interest Period 30th November, 1992 to 26th February, 1993, a period of 88 days, the Rate of Interest will be 5.25 per cent per annum. The Interest Amount payable on the Interest Payment Date 26th February, 1993 will be US$3,208.33 for each Note of US$250,000.

Agent Bank
Dean Witter Capital Markets International

PERSONAL

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The Secretary, The National Benevolent Institution (FT), 61 Bayswater Road, London W2 3PG.

PUBLIC NOTICE

OFFICE OF FAIR TRADING
Competition Act 1980
Notice under Section 3(2)(b)
THAMESWAY LIMITED

Under section 3 of the Competition Act 1980, the Director General of Fair Trading is to investigate whether Thamesway Limited ("the company") has been or is pursuing a course of conduct which amounts to an anti-competitive practice.

The matters to be investigated are:

(1) the conduct of the company in respect of its operation of local bus services commencing in, terminating in or passing through Southend-on-Sea, the method of operating those services, and the fares charged on those services;

(2) whether, that conduct restricts distorts or prevents competition in connection with the supply of local bus services commencing in, terminating in or passing through Southend-on-Sea.

If you have any information which you consider would help the Director General, please write to: Office of Fair Trading, Branch CPIC, Room 432, Chancery House, 53 Chancery House, London WC2A 1SP

Your letter should arrive as soon as possible if it is to be taken into account in the inquiry.

LEGAL NOTICES

NOTICE OF FURTHER ADJOURNMENT
OF THE MEETING OF THE HOLDERS OF
11-1/8% SENIOR DEBENTURES DUE AUGUST 15, 1992
10-1/2% SENIOR DEBENTURES DUE FEBRUARY 27, 1998
FLOATING RATE SENIOR DEBENTURES DUE 1995
10.20% SENIOR DEBENTURES DUE JUNE 30, 1999
10.45% SENIOR DEBENTURES DUE JUNE 30, 2014
10-1/2% SENIOR DEBENTURES DUE NOVEMBER 30, 1999
OF
BRAMALEA LIMITED

ORIGINALLY HELD ON OCTOBER 23, 1992 AND ADJOURNED TO NOVEMBER 19, 1992

NOTICE IS HEREBY GIVEN that the meeting held on October 23, 1992 (the "Meeting") of the holders of the outstanding principal amount of each series of senior debentures (collectively, the "Debentures") of Bramalea Limited (the "Corporation") set forth above and issued pursuant to a trust indenture dated as of August 15, 1985, as amended by nine supplemental indentures, between the Corporation and The Canada Trust Company and Montreal Trust Company of Canada as successor trustee (the "Trustee") which was adjourned to November 19, 1992, has been further adjourned and will be reconvened at the Ontario Room, Royal York Hotel, 100 Front Street West, Toronto, Canada, on Thursday, December 10, 1992 at 12:30 p.m. (Toronto time) for the purpose of considering, and if thought advisable, passing Revised Extraordinary Resolution "B", which represents an enhancement of Extraordinary Resolution "B" reflecting the further discussions between the Corporation and the Debentureholders Committee in respect of outstanding viability and security matters relating to the Corporation's revised business plan, and of transacting such other business as may properly come before the Meeting.

Details of the proposed Revised Extraordinary Resolution "B", the business and financial affairs of the Corporation and detailed voting procedures for the Meeting are contained in the Information Circular dated October 1, 1992, prepared by the Corporation, as amended by the Supplement to the Information Circular and Proxy Statement dated November 27, 1992, (the "Supplement") copies of which were mailed to registered holders of Debentures on or about October 1, 1992, and November 27, 1992, respectively, and which are available from the Trustee at any of its branches or at the offices of Euroclear or Cedel set forth below. Details relating to the deposit of instruments appointing proxies with the Trustee at its offices in the City of Toronto are also contained in the Information Circular and the Supplement.

DATED at Toronto, Canada, this 27th day of November, 1992.
BRAMALEA LIMITED
Marvin Marshall
President and
Chief Executive Officer

OFFICES OF MONTREAL TRUST COMPANY OF CANADA

Montreal Trust Centre 510 Burrard Street Vancouver, B.C. V6C 3B9 (604) 661-9400	411-8th Avenue S.W. Calgary, Alberta T2P 1E7 (403) 267-6800	The Eaton Centre 1101-10200-102 Avenue Edmonton, Alberta T5J 4B7 (403) 422-8181
15 King Street West 9th Floor Toronto, Ontario M5H 1B4 (416) 860-5989		Place Montreal Trust 1800 McGill College Avenue Montreal, Quebec H3A 3K9 (514) 982-7000

EUROCLEAR AND CEDEL OFFICES

Euroclear Operations Centre #4 Rue D'La Regence B1000 Brussels Belgium (322) 519-2545	Cedel S.A. 67 Rd.Grande-Duchesse Charlotte L-1010 Luxembourg (352) 44 99 2522

Meeting of Creditors pursuant to Sections 98, 99, 100 and 101 of The Insolvency Act 1986
L A TYER & COMPANY LTD
NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986 that a meeting of creditors of the above-named Company will be held at 7 Konrick Place, London W1H 3FF on 11th December, 1992 at 11.00 a.m. for the purposes provided for in Section 99 et seq.
A list of names and addresses of the above Company's Creditors can be inspected at the offices of Lameri Crossley & Davis, 7 Konrick Place, London W1H 3FF, between the hours of 10.00 am and 4.00 pm on the two business days preceding the Meeting of Creditors.
Dated this 24th November 1992
James Patrick O'Brien, Director

APPOINTMENTS ADVERTISING
appears every Wednesday & Thursday & Friday (International edition only)
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WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close November 27

Quotations in cents unless marked $

MONTREAL

4 pm close November 27

Total Sales 12,596,800 shares

INDICES

NEW YORK

DOW JONES	Nov 27	Nov 25	Nov 24	Nov 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3282.20	3266.26	3248.70	3223.04	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.42	102.22	102.31	102.32	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1411.33	1404.89	1387.36	1365.40	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	217.95	218.01	218.20	218.64	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3304.62 (3285.71) Low 3259.24 (3243.57) (Theoretical)
Day's High 3295.98 (3269.23) Low 3266.26 (3247.08) (Actual)

STANDARD AND POOR'S

	Nov 27	Nov 25	Nov 24	Nov 23	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	430.16	429.19	427.59	425.12	430.16 (27/11)	394.50 (8/4)	430.16 (27/11/92)	4.40 (1/6/32)
Industrials	504.34	503.04	501.57	498.50	504.34 (27/11)	470.91 (8/4)	504.34 (27/11/92)	3.62 (21/6/32)
Financial	39.09	38.97	38.45	38.23	39.09 (27/11)	32.40 (8/4)	39.09 (27/11/92)	8.64 (1/10/74)
NYSE Composite	236.72	236.13	235.27	234.11	236.72 (27/11)	217.92 (8/4)	236.72 (27/11/92)	4.46 (25/4/42)
Amex Mkt. Value	393.39	392.88	391.53	390.74	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	649.49	648.33	645.94	638.84	649.49 (27/11)	547.84 (26/6)	649.49 (27/11/92)	54.87 (31/10/72)

	Nov 20	Nov 13	Nov 6	year ago (approx.)
Dow Industrial Div. Yield	3.19	3.17	3.20	3.15

	Nov 18	Nov 11	Nov 4	year ago (approx.)
S & P Industrial div. yield	2.65	2.65	2.68	2.67
S & P Indl. P/E ratio	27.71	27.72	27.31	22.04

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Texas Utilities	5,830,700	42½	+ ⅛
Syntex	2,957,600	22⅛	- ⅝
Caremark	2,401,500	14⅝	----
Westinghse Elec	1,822,200	12⅝	+ ⅛
Gen Motors	1,580,700	31⅛	- ⅛
Fla Progress	1,327,800	32½	----
Glaxo	1,386,600	23⅛	- ⅛
IBM	1,229,500	66	+ ⅝
Ford Motor	1,018,300	41⅛	+ ⅛
Pepsico	991,500	41	----

TRADING ACTIVITY

† Volume (Millions)	Nov 27	Nov 25	Nov 24
New York SE	106.748	206.700	241.520
Amex	8.181	16.439	18.901
NASDAQ	(u)	222.266	244.923
NYSE			
Issues Traded	2,261	2,379	2,386
Rises	963	1,050	1,124
Falls	648	754	704
Unchanged	650	575	558
New Highs	86	109	120
New Lows	14	17	28

CANADA

TORONTO	Nov 27	Nov 26	Nov 25	Nov 24	1992 HIGH	1992 LOW
Metals & Minerals	2701.95	2698.33	2613.33	2579.06	3238.87 (16/1)	2529.91 (17/11)
Composite	3276.50	3272.20	3260.40	3259.30	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1741.62	1740.60	1729.96	1734.44	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 27	Nov 26	Nov 25	Nov 24	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1450.8	1450.9	1459.2	1450.2	1684.50 (22/5)	1357.20 (16/11)
All Mining (1/1/80)	571.4	578.9	584.8	582.7	726.80 (3/7)	545.40 (16/11)
AUSTRIA						
Credit Aktien (30/12/84)	314.40	314.81	316.56	316.71	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	761.22	764.33	768.58	769.64	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1125.56	1129.63	1130.22	1131.19	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	261.49	261.74	259.83	257.44	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	849.8	856.7	850.4	810.1	936.90 (24/2)	541.00 (7/9)
FRANCE						
CAC General (31/12/81)	463.13	459.57	461.49	461.67	555.93 (12/5)	441.78 (7/10)
CAC 40 (31/12/87)	1749.66	1739.68	1728.97	1720.61	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	599.41	601.12	599.69	597.72	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1695.1	1700.4	1695.7	1689.6	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1522.95	1523.18	1517.72	1510.28	1811.57 (25/5)	1420.30 (6/10)
HONG KONG						
Hang Seng Bank (31/7/64)	5986.67	5913.18	5918.54	5972.52	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1197.38	1194.92	1193.90	1156.86	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	442.58	442.63	446.80	446.45	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	872.9	870.0	878.0	877.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	17470.61	17479.04	17302.01	17096.09	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1307.54	1303.06	1294.14	1281.89	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1651.26	1641.55	1624.86	1613.24	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	640.48	638.79	641.84	642.08	660.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	287.6	287.6	286.7	286.2	314.90 (9/6)	274.80 (8/1)
CBS All Shr (End 1985)	193.6	193.6	193.0	192.7	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	626.69	634.72	628.9	614.31	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1263.58	1263.69	1281.18	1291.68	1980.95 (11/6)	1083.01 (17/9)
SINGAPORE						
SES All-Singapore (2/4/75)	380.30	377.11	372.86	372.47	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	837.0ψ	812.0	798.0	773.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4142.0ψ	4094.0	4056.0	4076.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	650.85	660.94	652.47	656.05	691.48 (8/3)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	215.29	214.77	211.94	210.22	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	885.2	862.5	866.0	841.3	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	853.0	841.9	837.4	835.3	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	632.8	626.2	624.4	624.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3681.94	3676.56	3673.51	3687.22	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	869.49	858.24	847.33	859.43	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	491.7*	491.0	490.1	486.4	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	852.65	848.83	846.25	845.30	976.55 (25/5)	772.52 (5/10)

**Saturday November 21: Taiwan Weighted Price, 3,711.71, Korea Comp Ex. 654.08.
ψ Subject to official recalculation. *Calculated at 15.00 GMT.

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, November 27, 1992

	Stocks Traded	Closing Prices	Change on day
Mitsui Min & Sml	5.4m	499	+19
Toshiba Corp	3.7m	620	+1
Kaken Pharm	3.3m	1,490	+60
Mitsubishi Kakok	2.7m	1,100	+50
Hitachi	2.6m	723	-3
Npn Steel Corp	2.4m	283	
Nomura Sec	2.2m	1,450	+60
Nisshin Steel	2.0m	330	+5
Mitsubishi Hvy	1.9m	540	+5
Citizen Watch	1.8m	906	+11

(Excuse us for asking)

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AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund America	5	152.4	154.1xd	162.3	0.00	40591
AIB Grofund Equity	3	192.9	195.5	206.9	2.00	40593
AIB Grofund Euro	5	142.7	144.8	152.4	0.97	40594
AIB Global Eqt Balanced	3	96.00	97.68	100.7	0.00	–
AIB Grofund Gilt	3	74.76	74.78	77.10	5.58	40595
AIB Grofund Japan	5	124.8	126.2xd	132.9	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	387.3	389.3	414.2	3.08	40401
General Acc	5	421.8	424.0	451.1	3.08	41570
UK Growth Acc	6	282.7	287.0xd	305.4	3.50	40392
UK Growth Inc	6	202.7	205.7xd	218.9	3.50	40393
Higher Inc Acc	6	484.3	492.3xd	523.8	4.92	40394
Higher Inc Inc	6	298.8	303.7xd	323.1	4.92	40395
Gilts/Fxd Int Acc	5½	166.5	166.5	175.8	6.87	40396
Gilts/Fxd Int Inc	5½	89.73	89.73	94.78	6.87	40397
Nth America	6	250.4	256.5xd	271.9	0.00	40398
Far East	6	237.9	240.0xd	256.4	0.22	40399
Europe	6	195.4	197.4	210.1	0.71	40400
Brit Excell	6	58.06	58.06xd	61.77	3.62	40402
Brit Fiducius Acc	6	73.96	73.96	78.68	5.75	40403
Brit Fiducius Inc	6	58.06	58.06	61.77	5.75	40404
Global Opps	6	61.60	62.51xd	66.50	0.00	46880

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Growth	6	82.27	83.35xd	89.15	2.40	40427
Do (Accum)	6	89.82	91.01	97.33	2.40	40428
Smaller Cos	6	60.00	60.00xd	64.17	2.61	40433
Do (Accum)	6	64.88	64.88	69.39	2.61	40434
Higher Yield	6	32.92	32.92xd	35.21	5.57	40429
Do (Accum)	6	44.51	44.51	47.60	5.57	40430
American Gth Inc	6	49.54	49.78	53.24	0.16	40423
Do (Accum)	6	50.48	50.72	54.25	0.16	40424
European Growth	6	86.44	86.44	92.45	2.09	40319
Do (Accum)	6	87.24	87.24	93.31	2.09	–
Global Bond Inc	6	27.36	27.58xd	29.28	5.11	46695
Do (Accum)	6	33.62	33.89	35.96	5.11	46696
Managed P'folio Inc	6	29.28	29.36	31.40	0.00	40147
(Do Accum)	6	29.36	29.44	31.49	0.00	40162
Pacific Growth Accum	6	79.26	80.08	85.64	1.03	40323
Intl Spec Opps Accum	6	69.17	69.17	73.97	1.83	40320

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mngd P'folio Inc	6	79.48	79.48	84.65	2.46	40186
Mngd P'folio Acc	6	148.8	148.8	158.5	–	40187
UK General	6	124.4	124.4xd	132.5	3.83	40188
Conv & General	6	16.74	16.74	17.83	8.65	40190
European Inc	6	20.65	20.65	22.27	0.51	40191
European Acc	6	21.32	21.32	23.01	–	40192
Financial	6	93.71	93.71	99.80	4.46	40194
Foundation	6	60.70	62.57	66.64	4.21	40534
German	6	37.63	37.63xd	40.35	0.10	40195
Growth Inc (5-1)	5	25.98	26.04xd	27.73	3.34	41583
Growth Acc (5-1)	5	30.49	30.56	32.55	–	40220
High Income	6	62.80	63.12	68.17	6.89	40196
Income	6	103.6	104.9xd	113.1	5.13	40197
Intl Income	6	81.23	81.23	86.51	5.57	40189
Intl Growth ♣	6	30.84	30.84xd	32.84	0.24	40198
Monthly Income	6	56.65	58.74	62.56	5.39	40242
North American	6	98.66	98.66	105.1	0.21	40199
Orient ♣	6	91.15	91.15	98.06	–	40200
Recovery	6	27.15	27.28xd	29.47	4.01	40201
Smaller Cos Acc	6	191.0	191.0	203.4	–	40202

MW Investment Managers Ltd (0659)F
46 Court St, Haddington, E. Lothian 062 082 5867

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
MW John Investors	0	1107.9	1107.9xd	1133.2	4.6	40535

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031 222 4242

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Maldon General	0	109.8	109.8	113.5	5.14	46659

Manulife Management Ltd (1200)F
St George's Way, Stevenage Dealings 071-256 5858

N&P Unit Trust Management Ltd (1200)F
35 Fountain St, Manchester M2 2AF 061 237 5322

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
N&P UK Growth	5½	61.14	61.63	65.78	3.51	40706
N&P UK Income	5½	84.14	85.22xd	91.15	4.99	40707
N&P Gilt & Fixed Int	5½	70.27	70.27	74.36	7.39	40708
N&P Higher Income	5½	143.40	149.40	158.60	6.22	40709
N&P Smaller Co's	5½	53.72	55.72	59.60	2.45	46300
N&P International	5½	75.94	76.24xd	81.98	2.72	40710

National Provident Inv Mgrs Ltd (1400)H

Rothschild Fund Management (1000)F
St Swithin's Lane, London EC4 Dealers 071-280 5000

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
NC America (Inc)	6	422.79	422.79	452.35	0.71	41196
NC America (Acc)	6	491.07	491.07	525.40	0.71	41197
NC UK Equity Inc	6	138.59	138.59xd	149.19	3.73	41198
NC Japan	6	199.39	199.39	213.97	–	41199
NC Major UK Cos	6	88.26	88.26	95.00	[illegible]	41200
NC Smlr UK Cos	6	196.31	196.31	214.83	2.01	41203
NC Smaller Euro	6	218.91	218.91	233.85	1.98	41204
RAM Personal Pensions						
UK Major Co's	5¼	81.45	82.71	87.06	–	46523
UK Smllr Co's	5¼	52.69	54.39	57.25	–	46525

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	229.8	233.9xd	248.8	5.66	40887
(Accum Units)	5	391.5	398.6	424.0	5.66	46918
UK Growth	5	299.1	301.7xd	320.9	3.22	40888
(Accum Units)	5	372.4	375.6	399.5	3.22	46919
Int. Equity Gth ♣	5	54.80	54.93xd	58.43	1.15	40889
Intl Bond	5	63.59	63.59xd	66.78	6.16	40890
Special Sits Gwth	5	15.36	15.76	16.76	2.92	40891
North American Gwth	5	87.31	87.60	93.19	0.95	40892
European Growth ♣	6	54.61	54.88xd	58.38	1.06	40104

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 - 379 - 0444.

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Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line

Sharp (Albert E.) & Co (1000)F
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex
Enquiries: 0277 227300 Dealing: 0277 261010

Intl Bond & Conv	5	117.20	117.56	123.70	6.14	47424
Pooled Pension §	5½	137.4	141.8	146.7	–	47257
Smaller Cos	5	50.99	52.46	55.22	2.35	46533
UK General	5	111.10	112.80	118.70	2.76	–

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

Income	5	358.85	358.85	380.38	5.42	40913
Global Inc	5	51.00	51.00	54.06	4.50	40916
Brit Leaders	5	303.62	303.62	321.84	3.17	40914
Intl Leaders	5	165.35	165.35	175.27	1.87	40915
F Am Non Bal Gwth Acc ¶	3½	48.43	49.48	51.41	3.31	40880
F Am Non Bal Gwth Inc ¶	3½	48.43	49.48	51.41	3.31	–

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

European Trust	6	46.43	46.55	49.52	1.60	42492
Far Eastern Tst	6	52.84	53.39	56.80	0.86	–
Smaller Cos	5	110.4	115.4	122.7	3.00	47432

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

S & W American $	5	268.0	268.6	284.2	0.91	40790
S & W Capital	5	106.7	106.7	114.3	1.89	40281
S & W Cash $	0	101.29	101.29	101.29	7.02	47903
S & W European	5	103.5	103.7	109.7	1.27	40253
S & W Far Eastern	5	111.3	112.2	118.7	0.00	46974
S & W Growth	5	113.9	115.2	121.8	1.54	41398
S & W Income	5	99.02	100.3	106.1	5.54	41392
S & W Magnum	5	113.2	113.2	121.4	1.82	47900
S & W Smllr Secs	5	248.0	253.6	268.3	0.65	41395
S & W Thoroughbred	5	130.7	130.7	140.2	1.81	40263

Societe Generale Touche Remnant (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-248 1250
4 Hourly Pricing – 12 Noon Historic

American Gwth	5¼	76.07	76.07	81.35	0	41525
Eur Sp Sits Acc	5¼	40.72	40.72	43.46	0	41526
Eur Sp Sits Inc	5¼	38.46	38.46	41.09	0	41527
Far East Opps Inc	5¼	26.99	26.99	29.09	0	41660
Far East Opps Acc	5¼	27.66	27.66	29.82	0	41665
General Growth	5¼	88.87	88.87	95.27	3.16	41528
General Growth Acc	5¼	90.36	90.36	96.87	3.14	47438
Global Tech	5¼	108.30	108.30	116.70	0	41529
Income Growth	5¼	87.93	87.93	94.67	4.81	41530
Income Growth Acc	5¼	87.93	87.93	94.67	4.81	–
Income Monthly	5¼	49.29	49.29	52.71	6.51	41531
Japan Growth	5¼	60.25	60.25	63.99	0	41532

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

Challenger	2½	88.02	88.02	90.07	0.00	41596
Short Dtd Gilt	1¼	106.3	106.3	107.7	1.93	41597
U.S. Govmt Bond	1¼	0.6491	0.6491	0.7083	0.00	41598
Gilt Income	4	51.12	51.12	53.19	8.68	47010
Gilt Growth	4	62.85	62.85	65.43	0.00	47009
City Reserve	0	55.20	55.20	55.20	7.88	47006

Woolwich Unit Trust Managers Ltd (1700)H
1 White Oak Square, Swanley BR8 7AG 0705 388046

Stockmarket Fd F	5	60.63	60.84	64.72	2.55	47990

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	Yield Gross	City-line

Baillie Gifford & Co Ltd

Int'l Exmt Nov 19	646.8	669.6	1.04	40105

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

UK Growth & Income	50.12	51.91	4.8	–
Income Plus	48.40	49.35	7.5	–

James Capel Fund Managers Ltd

Managed Exempt	121.46	128.50	4.20	43126

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

Inv Fund Oct 31	544.70	548.30	5.40	40251
Fxd Int Sec Oct 31	151.40	152.10	9.53	40252

Deposit Fund: See Money Market Trust Funds.

Charinco/Charishare‡‡ (1000)F
33 King William Street, EC4R 9AS 071-280 2800

Charinco Inc	174.9	176.9	9.27	40254
Charinco Acc	1001	1013	9.27	40255
Charishare Inc	178.2	182.3	4.39	40256
Charishare Acc	226.0	231.1	4.39	40257

CAFINVEST–Charities Aid Foundation
48 Pembury Rd, Tonbridge TN9 2JD 0732 771333

Balanced Growth	59.62	61.53	4.06	47779
Income	57.21	58.28	7.55	47780

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INSURANCES

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FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Balanced Gwth Mngd	624.2	664.1	-	43315
Adventurous Mngd	150.1	159.7	-	46402
Cautious Mngd	119.7	127.4	-	46403
Cash Fd	314.1	331.0	-	43316
Property Fund	217.5	231.4	-	43317
Equity Fund	717.7	763.6	-	43318
Fxd. Int. Fund	393.7	414.9	-	43319
International	323.3	344.0	-	43320
High Income	538.2	572.6	-	43321
Far East	428.1	455.5	-	43322
North American	424.5	451.6	-	43323
Special Sits	493.4	524.9	-	43324
Technology	421.7	448.7	-	43325
Extra Inc Fd	294.6	313.5	-	43326
Convertible & Gilt Fd	141.4	150.5	-	43327
American Income	169.3	180.2	-	43328
Gilt Fund 20	434.4	462.2	-	43329
European Fund	113.2	120.5	-	43330
Pref & Fixed Int	107.0	113.9	-	46332
UK Blue Chip	110.6	116.6	-	47044
Recovery Fund	102.8	108.4	-	47056
Equity Income Dist	99.8	106.2	5.01	47816
Managed Dist	95.5	101.6	5.30	47817
High Yield Dist	99.4	104.8	7.87	44422
Pension Funds				
Baland Gth Mgd Pens Acc	717.6	755.4	-	43331
Adventurous Mngd Pens Acc	156.3	164.6	-	46404
Cautious Mngd Pens Acc	137.5	144.8	-	46405
Building Soc Acc	361.3	380.4	-	43332
Property Pens. Acc	295.3	310.9	-	43333
Fix. Int. Pens. Acc	620.6	653.3	-	43334
Equity Pens Acc	911.3	959.3	-	43335
International Pens Acc	298.2	313.9	-	43336
High Inc Pens Acc	601.5	633.2	-	43337
Tech Pens Acc	298.7	314.5	-	43338
N American Pens Acc	319.7	336.6	-	43339
Far Eastern Pens Acc	422.4	444.7	-	43340
Special Sits Pens Acc	403.9	425.2	-	43341
Extra Income Pens Fd	355.9	374.7	-	43342
Convertible & Gilt Pen	173.1	182.3	-	43343
American Inc Pens	194.2	204.5	-	43344
European Pens	125.5	132.2	-	43345
Managed Cash Pens	170.1	179.1	-	46753
Pref & Fixed Pens	124.9	131.5	-	46333
UK Blue Chip	117.2	123.4	-	47057

Reliance Mutual
Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd	166.8	175.6	-	43575
Equity Acc Fd	380.7	400.7	-	43576
Managed Acc Fd	335.7	353.4	-	43577
Prop Fd (1st Issue)	-	594.5	-	43578
Prop Acc Fd (2nd Iss)	121.3	127.7	-	43579
Unit Trust Mn. Fd	153.1	161.2	-	43580
RL Pension Funds				
Deposit Acc	241.7	254.4	-	43581
Equity Acc	278.7	293.3	-	43582
Fixed Int Acc	243.1	255.9	-	43583
Gilt Indx Lnk Acc	185.3	195.1	-	43584
Managed Acc	368.6	388.1	-	43585

J Rothschild Assurance PLC
J Rothschild House, Dollar Street, Cirencester
Telephone 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
JRA/M&G Managed	108.5	114.3	-	46639
JRA/Scottish Amicable Mngd	103.1	108.6	-	46996
JRA/St James's Place Mngd	110.9	116.8	-	47133
Deposit	99.20	104.5	-	46281
Far East	115.4	121.5	-	46904
Gilts	103.8	109.3	-	46397
Greater European	106.6	112.3	-	46488
North American	125.4	132.1	-	46859
UK Equity	106.7	112.4	-	47134
Pension Funds				
JRA/M&G Managed cap	106.2	111.8	-	46800
JRA/M&G Managed acc	109.3	115.1	-	46714
JRA/Scottish Amicable Mngd cap	99.50	104.8	-	47129
JRA/Scottish Amicable Mngd acc	102.6	108.0	-	47128
JRA/St James's Pl Mngd cap	113.0	119.0	-	47131
JRA/St James's Pl Mngd Acc	116.3	122.5	-	47130
Deposit cap	99.50	104.8	-	46285
Deposit acc	102.6	108.0	-	46284
Far East cap	112.5	118.5	-	46395
Far East Acc	115.9	122.0	-	46358
Gilts cap	101.9	107.3	-	46401
Gilts acc	104.9	110.5	-	46399
Greater European cap	106.4	112.0	-	46578

Scottish Mutual Assurance plc
109 St Vincent St, Glasgow 041-248 6321

Sun Alliance Group – Contd.

Albany International Assurance Ltd
St Mary's, Castletown, Isle of Man 0624 823262

Target International Group

Guinness Flight Fd Mngrs (Guernsey) Ltd
PO Box 250, St Peter Port, Guernsey 0481 712176

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

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JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

Unico Financial Services SA Lux

DG Bank London Branch

Unico Invest. Fund	DM65.09	67.90	3.00	45905
Unico Equity Fund (u)	DM58.17	61.08	3.00	45906

Wardley NAPT (Luxembourg) SA

"WINTERTHUR" Fund Mngmt Co (Lux) SA

Wtr Global Intl Bond	Ecu118.29	–	46048
Wtr Global Intl Equity	Ecu99.45	–	46049
Wtr Global Inv Reserve	SFr222.21	–	46050

World Bond Fund–SICAV (u)

World Bond Fund	$26.80	28.15	0.71	45996

Inv Ad Warburg Asset Mngt London

World Trust Fund

Shares NAV	$9.32	–	45482

Yamaichi Advanced Technology Fund

Advanced Tech.	$16.53	–	–

Yamaichi 1992 OMNI Fund SICAV (u)

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

8 Baarerstrasse CH6301 Zug, Switzerland

OTHER OFFSHORE FUNDS

ATSP Management Ltd

MANAGED FUNDS NOTES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Focus on ERM

NOBODY can say for certain that tensions in the European Exchange Rate Mechanism are over, and there will be a strong focus this week on the D-Mark's performance against the weaker ERM currencies, *writes James Blitz.*

The Irish authorities will continue to make a concerted effort to defend the Irish punt this week, and overnight rates are due to be set at around 100 per cent from today.

UK clearing bank base lending rate 7 per cent from November 13, 1992

There may be more intense pressure on the French franc. The French currency fell through the FFr3.40 to the D-Mark level last week. Many analysts continue to think that if there is strong pressure on the currency it will come in the New Year, because dealers do not want to keep positions open for long towards the year end.

The market remains undecided about whether the dollar can make a concerted break through the DM1.61 level this year. Despite the uncertainties over the ERM last week, the dollar failed to break through this level.

But according to strategists at IBJ International, there is a growing perception that the currency will strengthen on further signs of economic recovery.

Friday's non-farm payroll figure will give some further indication of the scale of the economic upturn. However, the figure would have to be particularly bad to prompt any easing in monetary policy from the Federal Reserve.

Sterling was mostly sidelined last week, with strong support at DM2.42 and resistance at DM2.44. With relatively little economic data due out this week, the currency is likely to be confined to these ranges.

The sharp rise in Canadian prime lending rates in the last two weeks has strengthened the Canadian dollar. There will be caution ahead of the government's economic statement on Wednesday.

£ IN NEW YORK

Nov.27	Close	Previous Close
£ Spot	1.5115-1.5125	1.5265-1.5275
1 month	0.46-0.44pm	0.55-0.53pm
3 months	1.26-1.23pm	1.26-1.24pm
12 months	3.60-3.50pm	3.65-3.55pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Nov 27	£	$
Argentina	1.4956 - 1.4980	0.9920 - 0.9930
Australia	2.1855 - 2.1875	1.4500 - 1.4510
Brazil	14718.2 - 14718.5	9760.10 - 9760.30
Finland	7.6105 - 7.6440	5.1300 - 5.1500
Greece	312.200 - 318.450	206.700 - 210.850
Hong Kong	11.6565 - 11.6730	7.7365 - 7.7375
Iran	2218.00*	1455.00*
Korea(Sth)	1185.80 - 1204.95	782.30 - 788.50
Kuwait	0.45200 - 0.45300	0.29960 - 0.29990
Luxembourg	49.90 - 50.00	33.00 - 33.10
Malaysia	3.8140 - 3.8225	2.5315 - 2.5325
Mexico	4695.95 - 4699.00	3113.00 - 3115.00
[illegible]	[illegible]	[illegible]

CURRENCY RATES

[illegible]

CHICAGO

[illegible]

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EXCHANGE CROSS RATES

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

6½-6¾ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.27) 3 months US dollars		6 months US Dollars	
bid 3 11/16	offer 3 13/16	bid 3 13/16	offer 3 15/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

4pm					
Prime rate	6	One month	2.71	Three year	5.36
Broker loan rate	5	Two month	2.58	Five year	6.24
Fed.funds	3½	Three month	3.33	Seven year	6.60
Fed.funds at intervention	-	Six month	3.57	10-year	6.94
		One year	3.78	30-year	7.60
		Two year	4.79		

Nov.27	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.65-8.75	8.80-8.90	8.80-8.95	8.75-8.90	8.40-8.60	9.50
Paris	9⅞-9 15/16	10-10½	-	10-10½	-	9.10
Zurich	6-6¼	6¾-6⅞	-	6¼-6½	-	-
Amsterdam	8.68-8.75	8.70-8.80	-	8.65-8.75	-	-
Tokyo	3 11/16-3⅞	3¾-3 13/16	-	3 11/16-3 13/16	-	-
Milan	13-13¼	14 1/16-14 3/16	-	14 1/16-14¼	-	-
Brussels	8 11/16-8 13/16	8¾-8⅞	-	8⅝-8¾	-	-
Dublin	35-40	22-27	17-20	15-18	13½-14½	-

LONDON MONEY RATES

Nov 27	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	8¼	7¼	7 5/16	7 5/16	7 1/16	6 15/16
Interbank Bid	7	7	7 3/16	7 3/16	6 15/16	6 13/16
Sterling CDs	-	-	7 3/16	7⅛	6 15/16	6 13/16
Local Authority Deps.	7⅛	7	7 3/16	7 3/16	7	6¾
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	8	7	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7 5/16	7 5/16	7 1/16	6 15/16
Treasury Bills (Buy)	-	-	6¾	6 11/16	6½	-
Bank Bills (Buy)	-	-	6 13/16	6¾	6⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.47	3.47	3.62	4.00
SDR Linked Dep. Offer	-	-	5 5/16	5 3/16	5⅛	5 1/16
SDR Linked Dep. Bid	-	-	5¼	5 1/16	5¼	5 1/16
ECU Linked Dep. Offer	-	-	10¾	10⅝	10 1/16	9⅝
ECU Linked Dep. Bid	-	-	10⅝	10½	9 15/16	9½

[illegible]

LONDON RECENT ISSUES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

WEEKLY CHANGE IN WORLD INTEREST RATES

[illegible]

BRUSSELS		MILAN	
One month	8 11/16 / +1/16	One month	14⅛ / -⅛
Three month	8 9/16 / -1/16	Three month	14 3/16 / -1/16
AMSTERDAM		DUBLIN	
One month	8.75 / Unch'd	One month	24½ / +9⅞
Three month	8.70 / -0.05	Three month	16½ / +2

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bnk	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	7
● Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	● Robert Fleming & Co.	7	● Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd.	10
Bank of Ireland	7	● Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	● Smith & Williamson Secs.	7
Bank of Scotland	7	● Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk.	7	Unibank plc	7
Brit Bk of Mid East	7	● Hill Samuel	7	● United Bk of Kuwait	8
● Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	7	● Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

● Members of British Merchant Banking & Securities Houses Association.

STOCK INDICES

	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 20	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2780.1	2741.8	2709.6	2727.1	2722.9	2732.4	2780.1	2281.0	[illegible]	[illegible]
FT-SE Mid 250	2627.6	2618.6	2611.1	2619.0	2624.2	2623.4	2625.8	2157.8	[illegible]	[illegible]
FT-SE-A 350	1331.5	1323.5	1310.3	1317.9	1316.8	1320.4	1342.7	1103.1	[illegible]	[illegible]
FT-A All-Share	1305.22	1297.56	1285.35	1292.39	1291.28	1294.43	1328.36	1086.13	[illegible]	[illegible]
FT-SE Eurotrack 100	1049.92	1048.05	1042.55	1038.83	1036.38	1051.29	1200.27	937.42	[illegible]	[illegible]
FT-SE Eurotrack 200	1122.37	1118.56	1111.41	1110.69	1110.18	1117.40	1248.79	1010.09	[illegible]	[illegible]
FT Ordinary	2077.4	2056.0	2033.1	2040.1	2034.3	2035.9	2149.7	1670.0	[illegible]	[illegible]
FT Government Secs.	93.44	93.75	93.98	94.08	93.83	93.96	96.54	85.11	[illegible]	[illegible]
FT Fixed Interest	108.38	108.66	108.89	108.90	108.80	108.92	110.26	97.15	[illegible]	[illegible]
FT Gold Mines	88.8	66.7	64.4	63.0	63.3	64.3	180.6	63.0	[illegible]	[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

Exch 15pc 1997	129 13/16	-.5	630	Ap27 Oc27	21.9	1269
9¾ pc 1998	109⅛	-.5	3,250	Jy19 Ja19	12.6	1273
Treas 7¼pc 1998 (£25 pd)	25⅛	-1.6	1,000	Mr30 Se30	-	-
Treas 6¾ pc 1995-98‡‡	97⅞	-.4	1,100	Nv1 My1	25.8	1331
15½pc '98‡‡	134 13/16	-.5	885	Mr30 Se30	24.8	1308
Exch 12pc 1998	118 13/16	-.4	3,000	My20 Nv20	14.10	1259
Treas 9½ pc 1999‡‡	108 13/16	-.5	1,000	Jy15 Ja15	8.8	1347
Exch 12¼ pc 1999	129½	-.5	3,050	Se26 Mr26	28.8	1264

BRITISH FUNDS - Cont.

[illegible]

Undated

Consols 4pc	44½	-.6	358	Fe1 Au1	25.8	1239
War Loan 3½pc‡‡	39 1/16xd	-.7	1,909	Je1 De1	28.10	1352
Conv 3½pc '61 Aft	61	-2.4	122	Ap1 Oc1	25.8	1243
Treas 3pc '66 Aft	34⅝	-2	56	Ap5 Oc5	1.9	1324
Consols 2½pc	29⅛	-.4	276	5JaApJyOc	1.9	1238
Treas. 2½pc	29 1/16	-.6	475	Ap1 Oc1	25.8	1315

BRITISH FUNDS - Cont.

Index - Linked

[illegible]

OTHER FIXED INTEREST

Ireland Cap 8½pc '10	96	-2.8	384	Ap1 Oc1		-1485
9pc Cap 1998	101¾	-1.2	725	Ja30 Jy30	-	-
13pc '97-02	115	-1.7	318	Ap1 Oct	28.8	1426
Hydro Quebec 15pc 2011	138½	-.5	48	My31 Nv31	27.10	-
Leeds 13½pc 2006	127¼	-.4	48	Ap1 Oc1	12.3	3148
Liverpool 3½pc Irred	34	—	5	1JaApJeOc	1.6	3169
LCC 3pc '20 Aft	30	—	26	1MrJeSeDe	1.9	-
Manchester 11½pc 2007	114½	0.2	7	Ap25 Oc25	30.3	3275
Met. Wtr. 3pc 'B'	62	—	25	Mr1 Se1	1.8	3361
N'wide Anglia 3⅞pc 2021	118½	-.2	80	Ja30 Jy30	8.1	3465
4¼pc IL 2024	116¾	-.2	58	Fe23 Ap23	20.7	-
Utd Mex States 16½pc 2008	130½	0.2	50	Mr1 Se1	27.8	-

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

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MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

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BS4449 Grade 425

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32mm	2,220 tonnes
25mm	4,720 tonnes
20mm	2,755 tonnes

BS4449 Grade 460

16mm	1,790 tonnes
12mm	600 tonnes
10mm	20 tonnes
8mm	2 tonnes

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LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	Wk% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	29⅜xd	0.6	68c	FeMyAuNv	8.10	1500
Allegheny & W	♥	417p	-1.9	38c	–	–	–
Amdahl		518p	-2.4	10c	NvMrJeAu	31.1	–
Amer Cyanamid		37⅝	3.8	$1.65	MrJeSeDe	4.9	–
Amer Express		15¼xd	4.9	$1.00	FeMyAuNv	28.9	1594
Amer T & T		31⅞xd	2.2	$1.32	FeMyAuNv	28.9	1597
Ameritech		44½	3.2	$3.52	FeMyAuNv	28.9	–
BankAmerica		29⅝xd	7.9	$1.30	FeJeSeDe	10.11	1744
Bankers NY		42¼xd	–	$2.80	ApJyOcJa	24.9	1745
Bell Atlantic		31½	1.8	$2.60	FeMyAuNv	4.7	–
BellSouth		32⅜	0.4	$2.76	FeMyAuNv	5.4	–
Bethlehem Steel	♥	10¼xd	16.2	–	MrJeSeDe	6.2	1821
Bowater		1004pxd	11.5	$1.20	OcJaApJy	9.3	1884
CPC	h	29⅞xd	-7.4	$1.20	JaApJyOc	25.9	2263
Cadiz Land Inc	♥	129p	–	–	†	–	–
California Engy		974p	-1.3	–	–	–	–
Chase Manhattan		17⅝xd	4.4	$1.20	FeMyAuNv	28.10	2109
Chrysler		19½xd	4.4	60c	ApJyOcDe	9.9	2135
Citicorp		12¼xd	2.6	–	–	23.10	2141
Colgate-Palm		39⅜xd	2.3	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1275p	4.0	80c	DeMrJeSe	31.5	–
Dana		27⅝xd	-1.1	$1.60	MrJeSeDe	25.11	2306
Data General		721p	-5.1	–	–	–	–
Decora Inds	♥	148p	–	–	†	–	–
Dun & Brad		37⅛	1.7	$2.28	MrJeSeDe	13.2	–
Eaton		48	4.6	$2.20	FeMyAuNv	2.2	2410
Echlin		13⅝xd	1.4	78c	JaApJyOc	30.9	3046
FPL		22⅞xd	-2.0	*$2.44*	*MrJeSeDe*	*25.6*	–
Fluor		38xd	5.3	40c	JaApJyOc	24.9	2608
Ford Motor		25⅞xd	5.1	$1.60	MrJeSeDe	27.10	2615
Gen Elect		64⅞xd	6.8	$2.52	JaApJyOc	22.9	2675
General Host	♥	557p	-2.6	34c	†	13.12	–
Gillette		38⅞xd	1.5	72c	MrJeSeDe	28.10	2695
Hasbro		22⅞	5.8	20c	JaApJyNv	1.6	–
Honeywell		44⅛xd	4.4	$1.76	MrJeSeDe	23.11	2919
Houston Inds		29⅛	0.4	$3.00	MrJeSeDe	18.11	–
IBM		43½xd	6.4	$4.84	MrJeSeDe	6.11	2986
Ingersoll-Rand		20⅜xd	3.5	70c	MrJeSeDe	13.11	2979
Lockheed		32⅞	4.8	$2.12	MrJeSeDe	15.2	–
Lowe's	h	1425p	7.6	28c	JaApJyOc	11.7	–
Merrill Lynch		39⅛xd	1.6	$1.20	FeMyAuNv	30.4	3351
Morgan (JP)		40⅞xd	1.9	$2.18	JaApJyOc	10.9	3418
Morris (Philip)		52xd	-1.0	$1.72	JaApJyOc	10.6	5161
NYNEX		54⅛	1.2	$4.64	FeMyAuNv	27.6	4740
Pall		18	-10.0	36c	FeMyAuNv	24.1	–
Pennzoil		33⅝xd	-1.8	$3.00	MrJeSeDe	24.11	3630
Quaker Oats		49⅛xd	4.8	$1.92	JyOcJaAp	22.9	3738
Rockwell		15⅝xd	-1.8	92c	MrJeSeDe	10.11	3847
Rep NY		30⅞xd	3.4	$1.00	JaApJySe	18.9	3814
Sears, Roebuck		28⅛xd	0.7	$2.00	JaApJyOc	25.11	5191
S'western Bell		46½	3.6	$2.92	MyAuNvFe	4.7	–
Sun Co		17⅛	2.6	$1.80	MrJeSeDe	5.11	4135
Tenneco		21⅞xd	-3	$1.60	MrJeSeDe	20.11	–
Texaco		39¼xd	-3	$3.20	MrJeSeDe	28.10	4200
Time Warner	b	19½xd	5.0	28c	MrJeSeDe	20.11	4234
Unitab	♥	324p	–	–	†	–	–
URS Intl. 1c	♥	0⅞p	–	–	†	–	4364
US West		24⅝	2.1	$2.12	FbMyAuNv	14.4	–
Vanity		1460p	20.5	–	–	1177	–
Waste Manage		20⅛xd	4.4	52c	ApJyOcJa	11.9	4439
Whirlpool		2870pxd	4.8	$1.10	MrJeSeDe	4.3	–
Woolworth	♥	22⅝	7.4	$1.12	MrJeSeDe	26.1	4540

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

تكملة صور الأصل

هكذا صار الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	Wk% ch'nge	Div net	Dividends paid	Mkt cap£m	Last xd	City line
Scottish Inv	♣	182	—	4.82	Feb Jul	402.6	1.6	3953
Warrants		38½	3.1	—	—	17.9	—	3883
Scot Mortgage	♣†	176	1.1	3.9	Jul Dec	694.9	2.11	5994
Scot National Inc	♣	78xd	3.3	8.05	ApJyOcJa	124.5	16.11	3961
Cap		18	—	—	—	11.5	—	3989
Stepped Pf		162	-7	6.05	Sep Mar	48.5	7.9	3962
Zero Div Pf		203	0.6	—	—	129.8	—	3964
Warrants		5	—	—	—	0.84	—	3969
Scot Value	tg	67½	2.3	1.8	Jan Oct	48.9	7.9	2706
Sec Alliance	♣	1955	1.2	36.5	Apr Oct	269.2	21.9	3974
Second Market	§	252	-8	1.6	May	252.3	6.4	3976
Sec Tst Scot	♣	72	0.7	3.25	Jul Dec	230.6	2.11	3977
Select Assets		108	0.9	0.03	Apr	28.9	24.2	3985
Eq Ind Serl		126	1.6	4.25	JaApJeOc	22.2	5.10	4805
Eq Ind SerII		126	1.6	4.25	JaApJeOc	28.8	5.10	6985
SHIRESCOT		100	1.0	—	—	72.5	—	1355
Shires	♣	237	5.3	18.4	ApJyOcJa	59.4	7.9	4814
11pc Cv Ln '03/04		£119½	2.1	Q11%	Sep Mar	27.4	24.8	4812
Siam Select		99	—	0.25	Sep	14.9	24.8	1387
Warrants		15	—	—	—	8.45	—	1379
Smaller Cos		66	—	2.6	Apr Oct	9.99	10.8	3888
Warrants		19	—	—	—	0.39	—	3899
Somerset Tst		132	14.8	—	—	1.32	—	2237
Sphere Inc	N	12	-4.0	3.1	MyAuNvFe	14.8	2.11	4278
Zero Div Pf		77½	2.0	—	—	82.2	—	5227
Sumit		35	2.9	1.25	May	2.58	9.3	4132
TR City of Lon		128	1.7	4.76	FeMyAuNv	220.8	19.10	4271
TR Euro Growth	♣	75	-1.3	1.36	Oct	27.5	7.9	4888
Ptg Sub		33	—	1.95	Oct	1.20	7.9	—
TR Far East Inc	♣	113xd	1.8	4.5	ApJyOcJa	82.5	16.11	4289
Warrants		38	8.1	—	—	1.95	—	—
TR High Inc		180	-1.8	6.0	MrJyOcJa	28.4	5.10	2867
Sub	0	21	—	1.5	Jul	0.09	13.7	2936
TR Pacific	♣♣	106	8.2	0.25	Apr	71.8	9.3	4581
TR Prop	♣‡	17¾	-4.1	1.45	Jan Jul	58.5	15.6	4282

MEDIA - Cont.

	Notes	Price	Wk% ch'nge	Div net
Trillion	♣	2½	-16.7	—
Trinity Intl	tg	204	—	8.4
Ulster TV	†	257	-2.7	7.5
Utd News		481	3.2	21.8
VTR	♣	38xd	—	2.4
WPP		46	9.5	—
Warrants		5	—	—
Watmoughs	†	469	0.2	18.5
Yorkshire Tyne-T		114	—	12.8
Warrants		9	—	—

MERCHANT BANKS

	Notes	Price	Wk% ch'nge	Div net
Ansbacher (H)		31	—	—
Barings 8pc Cm 2nd Prf		98	1.6	8%
9¼pc Non-Cum Prf		114¾	-4	9¼%
Close Bros		227	2.3	9.5
Hambros	♣	216xd	-7.2	13.8
7½pc Cv Pf		108½	-9	7½%
Joseph (L)		308	—	15.85
Kleinwort Benson		277	-2.8	18.0
Rea Bros	♣	38	—	4.5
Schroders	♣†	1200	-2	18.8
N/V	†	1098	-2	18.8
Singer & Fried	♣	42	—	2.5
Warburg (SG)	♣	472xd	-8.5	18.0
8pc Cv Pf		165½	-3.2	8%
Wintrust		199	—	9.3

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MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

TRANSPORT

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	Wk% ch'nge	Div net	Div cov	Dividend paid	Last xd	City line
Greenwich Res		5¼	-4.5	—	—	—	—	2773
Hemlo Gold C$		24	-3.0	Q28c	—	Dec Jun	8.11	—
Ivernia West IE	‡‡	39	—	—	—	—	—	—
Kells Mins IE	‡‡	13	—	—	—	—	—	3741
Kenmare	♣	3¾	—	—	—	—	—	1453
Malinga Res		12½	-19.4	—	—	—	—	—
Navan Res IE	‡‡	33½	—	—	—	—	—	1185
Oryx Gold		48	—	—	—	—	—	3888
Plateau		3½	—	—	—	—	—	3407
RTZ		619	2.7	18.5	1.5	Dec Jul	21.9	3888
Vizcaya	♣	1¼	—	—	—	—	—	4193
Western & Pac C$	♥	21½	—	—	—	—	—	—

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution, this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other offical estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other offical estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other offical estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94. N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution

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FT Share Service

The following changes have been made to the FT Share Information Service: Adds: Atlantic Richfield (Oil & Gas) Trinity Group (Motors) and Vardon Group (Hotels & Leis). Deletes: Airbreak Leis. (Hotels & Leis.). Andaman Res. (Mines/Misc.). Emperor Mines and Paragon Res. (both Mines/Australian).

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.1	19	337	11⅝	11⅜	11⅜	-⅛
28½	18	A L Labs A	0.18	0.8	136	742	21⅞	21⅝	21⅝	
68¾	52⅝	AMP Inc	1.62	2.7	21	625	57⅝	57⅛	57⅛	-⅜
80¼	54⅞	AMR				134684	65	63⅝	64⅞	+1¼
2⅝	1⅛	ARX			12	90	2	1⅞	1⅞	+⅛
63½	30½	ASA	2.00	6.3	20	874	31½	30⅞	31½	+⅛
34¼	28¼	Abbott Lab	0.60	1.9	21	2296	31⅞	31	31⅛	-⅛
13⅞	10⅞	Abitibi Pr	0.40	3.7	5	6	10⅞	10⅞	10⅞	
11⅝	10¼	ACM Gvt In	1.01	9.3		141	11	10⅞	10⅞	-⅛
10⅜	9¼	ACM GvOpp	0.87	9.2		19	9½	9⅜	9½	+⅛
9¼	8½	ACM Gvt Sp	0.80	9.0		109	9	8¾	8⅞	
11¼	10⅛	ACM Gvt Se x	1.01	9.5		68	10¾	10⅝	10⅝	
10⅝	6⅝	ACM Man	1.00	9.9		193	10⅛	10	10⅛	
12⅞	9	ACM Managd	1.09	11.6		57	9⅜	9¼	9⅜	+⅛
11⅛	4¼	Acme Cleve	0.40	4.4	16	60	9⅛	9	9	
6¼	3¾	Acme Elect			100	13	5	4⅞	5	
39¼	14⅞	Acuson			13	399	18¼	17¾	17⅞	-¼
21	18⅛	Adams Expr	1.62	8.4	0	120	19½	19⅜	19⅜	
49⅛	29½	Ad Micro r	3.00	6.9		178	44	43¾	43¾	-⅛
21½	7½	Ad Micro P	3.00	17.3	53	147	17⅝	17¼	17⅜	-¼
9⅛	4⅞	Advest Grp	0.16	2.7	12	11	6	5⅞	5⅞	-⅛
42¾	33	Aegon ADR	1.35	3.3	7	58	40⅞	40⅞	40⅝	-¼
47	38	Aetna Ll	2.76	6.2	12	672	44⅜	44	44¼	+¼
12¼	8⅜	Ahmanson A	0.24	2.1	18	225	11⅝	11⅞	11⅜	-¼

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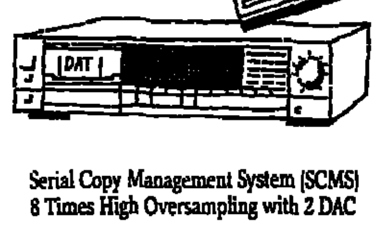

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Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10	2⅞	Salant Crp			35	7	8⅞	8¼	8¼	-⅛
76	65½	Sallie Mae	1.20	1.7	17	1092	70	69⅝	69¾	+¼
14⅞	13	Salomon Br	1.00	7.3		684	13¾	13⅝	13¾	
38¼	28¾	Salomonlnc	0.64	1.7	13	318	37⅝	37½	37½	-⅛
26	21¼	SanDgo G&E	1.44	6.2	14	306	23½	23¼	23¼	-⅛
4⅞	2⅞	SantaFeEDu	0.40	10.0	66	2	4	4	4	
9⅞	7	SantaFeERs	0.16	2.0	812	561	8⅛	8	8⅛	
39¾	30¼	SantaFePac	2.80	7.5	13	16	37¼	37	37¼	
14⅛	10⅝	SantaFeSth	0.10	0.7	34	726	13⅝	13⅛	13⅝	+⅛
61	40⅝	Sara Lee	1.16	1.9	23	1029	u61⅛	60½	60¾	+¼
44¾	39⅝	Scana Corp	2.58	6.6	13	88	40½	40⅛	40⅜	
47⅞	40¼	Scecorp	2.80	6.5	13	683	43½	43¼	43⅜	-⅛
34⅛	22⅛	SchererRP			89	263	33	32¼	32¾	-¼
68	49⅞	ScheringPl	1.56	2.3	19	1890	67½	66⅝	66⅞	+¼
70⅝	52¾	Sch'berger	1.20	2.0	17	2889	60⅞	60¼	60⅝	+¼
37¾	16⅝	Schwab(C)	0.24	1.0	12	737	24	23½	23¾	-¼
10⅞	4½	Schwitzer			64	27	6	6	6	-⅛
38⅞	16¼	ScientAtln x	0.16	0.5	42	605	u37⅛	36⅞	37⅝	+1
10⅝	7⅛	Scotman	0.10	1.1	77	103	9¼	9⅛	9¼	+¼
48	34½	ScotPaper x	0.80	2.2	75	710	37⅛	36¾	37	+⅜
17½	13½	ScuddrNAsF	0.22	1.5		12	14⅞	14¾	14⅜	
9¾	7⅝	ScuddrNEuF	0.30	3.8		198	8	d7¾	7⅞	-⅛
24	13	Sea Contre	0.45	2.6	10	182	17¾	16⅝	17¾	+⅞
15⅛	14⅞	SeaCL4625 r	1.46	9.7		12	15⅛	15⅛	15⅛	
31	25⅛	Seagram Co	0.56	2.2	13	1169	26¼	25⅞	25⅞	
33¾	21⅞	Seagull En			88	61	32⅝	32½	32⅝	+⅛
26½	20½	Sealed Air			22	23	23⅝	23	23⅝	+¼
23	12⅛	SPX Corp x	0.40	2.2	13	375	18⅝	18	18	
48	37	Sears Roeb x	2.00	4.7	37	3498	43⅛	42⅝	42¾	
13¾	11⅞	Sellgm Sel	0.84	6.9		15	12⅛	12⅛	12⅛	

- X - Y - Z -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	3.8	18	1986	79½	78¾	79⅜	+⅞
55	50½	Xerox4.125				z100	u55	55	54	-1
39⅜	24⅞	Xtra 1.94	1.94	5.0		19	39¼	38⅞	38⅞	-½
54½	26½	Xtra Corp	0.80	1.5	16	102	u54¾	53¼	53¼	-¾
30⅜	25¼	Yankee Egy	1.66	6.1	12	65	27⅛	27	27⅛	-⅛
1½	½	Zapata				25	1093	1	⅞	1
11⅛	5	ZenithElec				2	813	6¼	6	6⅛
19½	14½	Zenith Nat	1.00	6.0	8	51	16¾	16⅝	16⅝	
7½	6	Zenix Inc x	0.83	12.8		94	6⅝	6½	6½	
13¾	10	Zero Corp	0.40	3.0	20	6	13¾	13¼	13¼	
38	27¾	Zurn Ind	0.88	2.4	41	26	37⅛	36⅞	36⅞	-⅛
14⅜	12	Zweig Fund	1.12	8.6		72	13	12⅞	13	+⅛
11	9½	Zweig Totl	0.96	9.6		187	10⅛	10	10	

Price data supplied by Telekurs.

November 27, Wall Street markets closed 2pm EST. Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

2 pm close November 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	27	817	12⅞	12⅜	12⅞	+½
Perini	0.80	16	102	u18¾	18	18½	+½
Pet Ht&P	1.14	11	z100	16⅞	16⅞	16¾	
Phil LD	0.26	15	400	36⅞	35⅞	36	-¼
Pittway A	1.10	18	12	34⅜	34¼	34¼	-⅜
Ply Gem	0.12	20	35	10⅜	10¼	10⅜	

NASDAQ NATIONAL MARKET

2 pm close November 27

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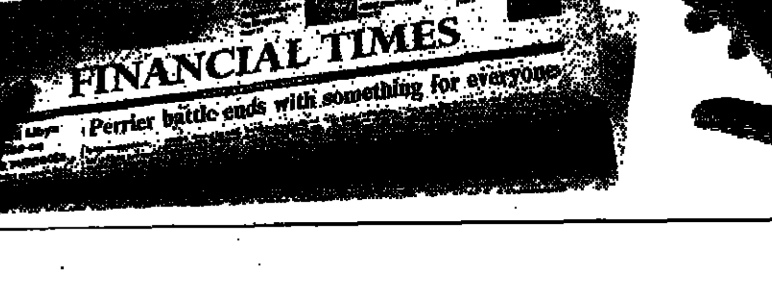

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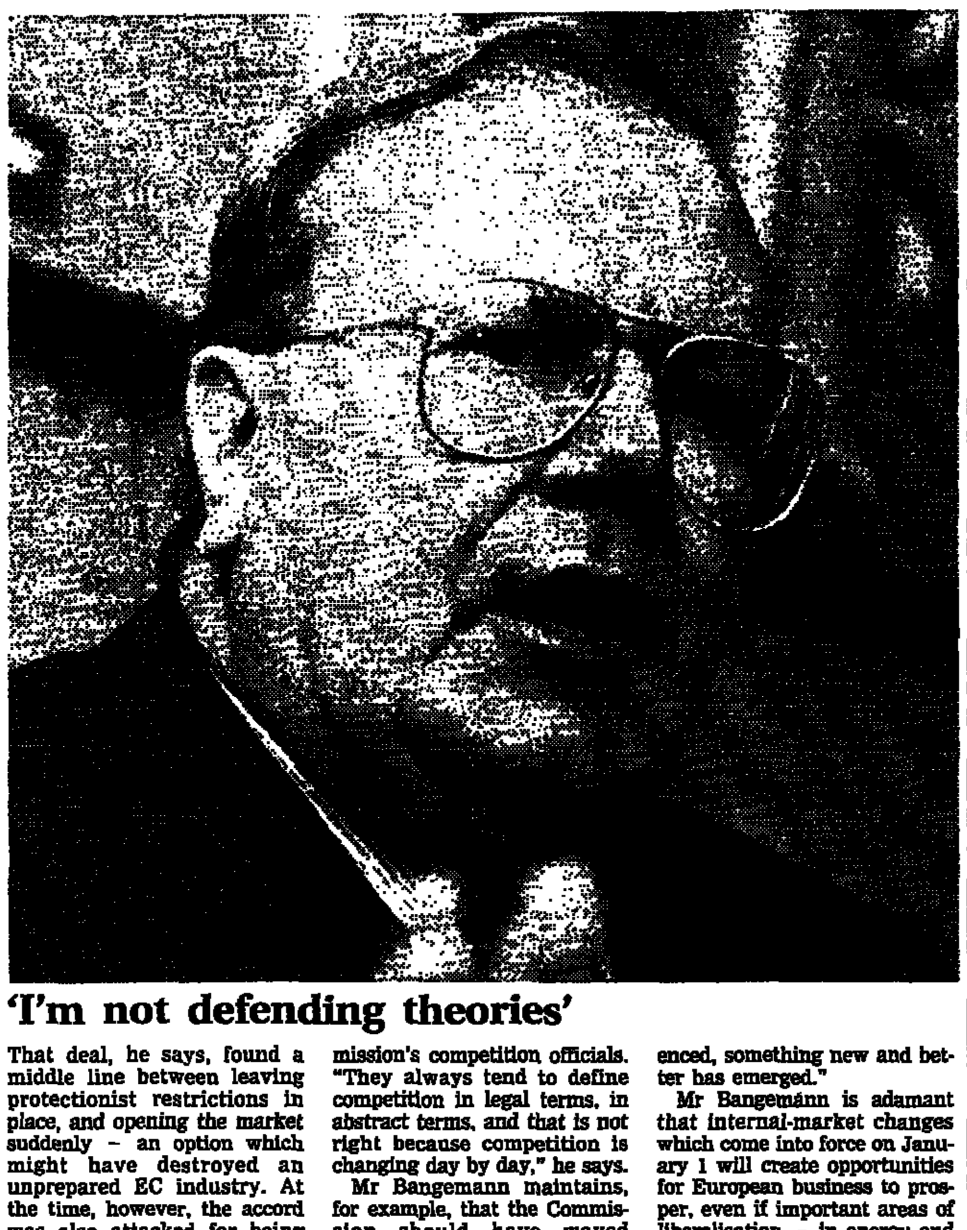
MONDAY INTERVIEW

Europe's flexible friend

Martin Bangemann, European Commission vice-president, talks to Andrew Hill



'I'm not defending theories'

Mr Martin Bangemann, vice-president of the European Commission and former German economics minister, is used to being misrepresented in the press. He says it does not bother him: "If people start with a horrible vision of you, they can only be pleasantly surprised."

Many people in Europe have built up a horrible vision of Mr Bangemann since 1989, when he became Germany's senior commissioner, responsible for the internal market and industrial policy. According to the extensive Bangemann mythology, this is the man who tried to ban the UK prawn-cocktail crisp, to outlaw dozens of traditional unpasteurised cheeses, and to eradicate the Spanish tilde – the squiggle over the "n" of España – in the interests of EC harmonisation.

In fact, Mr Bangemann perpetrated none of these alleged crimes against national sovereignty but as internal market commissioner he was held responsible. On the other hand, there is no doubt that the bulky commissioner has frequently trodden on people's toes. Earlier this year, for example, he attacked officials in the Commission's competition directorate, describing them as "ayatollahs" and "gurus", for their over-legalistic approach to anti-trust policy. And this month, Mr Bangemann infuriated a nervous UK government with – in the words of Prime Minister John Major – a "very silly and ill-informed" speech linking the Maastricht treaty to federalism on the eve of the British parliament's vote on ratification.

Today, Mr Bangemann may upset the British again. He is attending a meeting of EC immigration ministers in London, armed with a Commission legal opinion that says Britain must lift its border controls on travellers within the EC on January 1 1993.

But Mr Bangemann, 58, will not be demanding satisfaction from Britain – or from the 11 other EC members, which are also beginning to express doubts about the wisdom of lifting controls so soon. He says he will look for a practical solution to the problem.

Mr Bangemann has a doctorate in law, but he claims to be, above all, a pragmatist and a politician. "People who stick to a theory are always better off, [than pragmatists] because they appear completely pure and consistent."

Mr Bangemann believes his pragmatism is one reason why he has been criticised as inconsistent. This is one element of the principal charge against the commissioner – that he is a political lightweight. Another is his apparent reluctance to bury himself in complex dossiers. Although he is eloquent, affable and erudite, national and Commission officials say he lacks the taste for detail which is the strongpoint of commissioners such as Sir Leon Brittan, the EC commissioner for competition and financial services.

His political flexibility has come under fire before. When Mr Bangemann was German economics minister, between 1984 and 1988, he disappointed his own party – the free-market liberal Free Democrats (FDP) – by championing the controversial takeover of Messerschmitt-Bölkow-Blohm (MBB), the aerospace company, by Daimler-Benz, the German motor group.

His party colleagues and the German cartel office believed the merger would distort competition and reinforce Daimler's dominance. Mr Bangemann still dismisses these complaints. A merger was essential to give the German company the strength to take part in civil aircraft programmes, he argues.

In Brussels, he has continued to eschew the narrow, legal approach and favour the flexible political solution. In framing an industrial policy, for example, Mr Bangemann and his officials have tried not to be hamstrung either by free-trade or protectionist prescriptions for industry.

According to the Commission's 1990 paper on industrial policy, political authorities should aim to put in place a suitable environment in which business can flourish, for example by encouraging the development of the single market and global free trade. "Protectionists must be persuaded to cease subsidising industrial policy and orthodox economists have to admit that ideal societies do not exist," says Mr Bangemann in a recent book on industrial policy. "A European industrial policy must find a reasonable compromise between the two extremes."

The central example of Mr Bangemann's practical approach was last year's voluntary agreement with Tokyo to restrain the import of Japanese cars, while gradually removing national quotas within the EC.

That deal, he says, found a middle line between leaving protectionist restrictions in place, and opening the market suddenly – an option which might have destroyed an unprepared EC industry. At the time, however, the accord was also attacked for being non-binding – hallmarks of a delicate compromise.

The real debate over industrial policy in the past four years has been fought over competition cases, specifically on mergers, where Brussels has substantial autonomous powers to affect the structure of European industry.

Mr Bangemann argues that industry policy is not at odds with competition policy – a view shared by Sir Leon Brittan, and outlined in the November 1990 paper. "We have said that the first aim of our industrial policy is to contribute as far as possible to the competitiveness of European industry," says Mr Bangemann. But he adds: "The main question in that context is how to define competition and what measures are necessary to improve competitiveness."

This is where Mr Bangemann and Sir Leon have found themselves at loggerheads. Mr Bangemann says his target is not Sir Leon himself, but the "backward-looking, theoretical approach" of some of the Commission's competition officials. "They always tend to define competition in legal terms, in abstract terms, and that is not right because competition is changing day by day," he says.

Mr Bangemann maintains, for example, that the Commission should have waved through last year's controversial takeover of De Havilland, the Canadian aircraft manufacturer, by Aérospatiale of France and Alenia of Italy. A favourable decision would have created a European force in the world market for commuter aircraft, Mr Bangemann claimed at the time.

Sir Leon won the day. But Mr Bangemann has continued to claim that he got the De Havilland recommendation wrong. He maintains that the competition commissioner defined the market too narrowly, exaggerating the deal's impact. This is one issue on which Mr Bangemann, for all his pragmatism, appears unshakeable. Another is federalism, the theme of his speech in Berlin earlier this month which so incensed Mr Major.

In the speech, Mr Bangemann reiterated his view that the Maastricht treaty points towards a federal European state. This was the sort of comment he had made "a hundred times in the past", Mr Bangemann says. But, given that the British government was about to risk defeat from the opposition and some of its own backbenchers on Maastricht, were the timing and tone of the speech rather insensitive?

"If I'd said something different when [integration] was the subject of the conference, people would have been really astonished," he replies.

In spite of the EC's trials, the commissioner is relaxed about the Community's prospects, even if the result is a two-speed Europe. "If Maastricht fails then there will be a new impetus, because out of any crisis [Europe] has experienced, something new and better has emerged."

Mr Bangemann is adamant that internal-market changes which come into force on January 1 will create opportunities for European business to prosper, even if important areas of liberalisation – in energy and telecommunications, for example – have been deferred.

As for the issue of border controls, Mr Bangemann will try to nudge immigration ministers at today's London meeting towards one of his pragmatic solutions, so that the EC can be declared open at midnight on December 31.

The British have already suggested one way of easing controls on people without having to give up border checks altogether. EC visitors should be allowed simply to show the cover of their passports to immigration officials at UK borders. As a classic political compromise, it is appropriate that it should already have been dubbed "the Bangemann wave".

PERSONAL FILE

- **1934** Born Wanzleben, near Magdeburg.
- **1964** Practised law in Stuttgart and Metzingen.
- **1963-** Member of the liberal Free Democratic party.
- **1972-80, 1986-89** Member of the Bundestag.
- **1973-84** Member of the European Parliament.
- **1985-88** Party chairman.
- **1984-88** German minister of economic affairs.
- **1989** *Vice-president of the European Commission.*

US pressure is the final straw

Letter from

ROZAY-EN-BRIE

The family of Jean-Philippe Garnot has been growing cereals on the wide plains of Brie east of Paris for generations. Yet never before has the region been so much under threat, says Mr Garnot.

The threat comes from US pressure to cut European subsidised farm exports. The European Community, to which farmers such as Mr Garnot have always turned for protection, has caved in to American demands, he says. Today Mr Garnot, 35, feels abandoned by Brussels.

"Why should American farmers have the right to produce and European farmers not have the right to produce?" asks Mr Garnot, who like many fellow farmers is a loyal right-wing Gaullist.

"The Americans are just defending their corner. More than half our fight is against the European Commission," he adds. "We are not really understood by the Commission ... A few commissioners have signed something that is in the general interest, but when you take the special case of France, it is catastrophic."

Mr Garnot, a pillar of the local branch of the FNSEA, France's main farm union, manned the barricades in last week's farmers' demonstrations in Paris and will do again at a rally with other European farmers in Strasbourg tomorrow. He believes he is defending his region and his job.

Many people believe Mr Garnot and his colleagues are wrong, that French farmers have lived for too long under the cosy protection of the EC's Common Agricultural Policy (Cap). French farmers, critics say, should have faced up to the realities of international competition years ago.

Yet the problem does not look that simple from the vantage point of the 14th century keep that dominates Mr Garnot's farmhouse. The tower looks out over a tapestry of pale green shades, the first shoots of a crop sown six weeks ago, which stretches away towards the medieval market town of Rozay-en-Brie.

The view has not changed very much for hundreds of years, during which time Brie supplied the famous cheese of the same name and wheat for Parisians' bread. Yet the view is about to change, and with it the region's fortunes, farmers fear. Next year ugly brown squares will appear in the tapestry, fields to be left fallow under Cap reforms designed to take land out of production – the so-called set-aside scheme.

The local economy, still firmly wedded to its rural roots, cannot generate new jobs to replace the more than 1,000 farmworkers that Mr Garnot estimates will lose their jobs in his département of Seine-et-Marne over the next three years.

The movement of jobs and people away from the country – *désertification* – has just started to blight the fertile cereal plains of Brie. *Désertification* in Brie is nothing like as bad as in the poorer central and south-western France. Yet the first signs are there, with the closure of a butcher's shop and a bakery in a village near Mr Garnot's last year.

As elsewhere in France, local people are looking for someone to blame for their economic plight. Some have turned against the EC, in line with other rural communities which nearly succeeded in persuading the nation to vote down the Maastricht treaty in September's referendum. A faded poster on a wall bordering the track to Mr Garnot's tower declares: "Maastricht, unemployment, taxes."

Mr Garnot will survive the Cap reform better than most because his farm is relatively large – more than 200 hectares – and on prime land. But he will not entirely escape the impact of the Cap reforms and he fears the EC-US trade accord will hit him even harder.

Under the Cap reforms, Mr Garnot, like other large cereal farms, is obliged to take 15 per cent of his land out of production. Next year he will plough over the least productive fields. His annual turnover will fall by 7 per cent. Some fields, like his own, will be left as bare earth if their owners follow good farming practice and sterilise the soil. Poorer farmers will allow their set-aside fields to fall prey to weeds.

By 1995, Mr Garnot estimates that cuts in production and in cereal prices will reduce his annual income by 45 per cent to FFr145,000 (£17,618). That will just enable him to cover his running costs, assuming he stops all investment in machinery and equipment, currently FFr150,000 a year. The rest of the farm's FFr450,000 annual operating income will be swallowed up by debt repayments and buying fertiliser and other materials. His one full-time farm hand might have to go.

As a director of the local branch of Crédit Agricole bank, Mr Garnot knows how badly his neighbours will be hit because he keeps an eye on their bank accounts. Some farmers have already reached the stage where it will take them 30 years to repay debts from their farms' operating income. "Who will want to buy a farm in that state?" he asks.

Mr Garnot denies that French farmers are using the *US-EC trade row to try to* regain ground lost under the Cap reforms. He taps away at a calculator to produce unconvincing figures to support his claims that the transatlantic accord will hurt more than the Brussels reforms.

The drift of the argument is clear. If Mr Garnot can only just accept Cap reforms, he certainly cannot tolerate being pushed around by Washington.

Paris must therefore use its veto, "to say stop, to let things calm down," he says.

William Dawkins

Heavens above, is the City a zoo?
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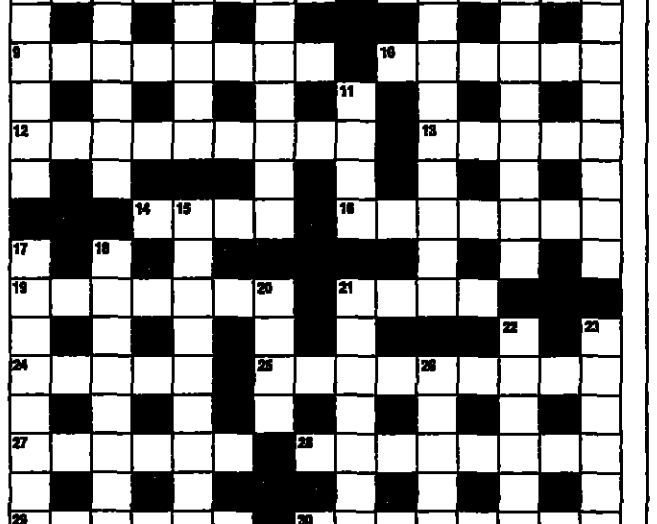

ACROSS

1 Stunt girl's down (8)
5 A U-bend damaged by running water (6)
9 Union expert admits backing bad article (8)
10 Caught taking time off is reproved (6)
12 Compel prisoner to race (9)
13 Month performing stage part (5)
14 Joint many drink in front of (4)
16 Since reason to live comes first (7)
19 Enclosing very good steel organisation's letter (7)
21 Satisfied with bearing in fitting (4)
24 Compound of hybrid trees (5)
25 Tall blonde's outstanding feature (9)
27 Pulling back rug catch bird (6)
28 Attractive fellow making an impression? (8)
29 Travelling band captures princess (6)
30 Courts backward girl in warm clothing (8)

DOWN

1 Provided stands since company's failure (6)
2 Sick of very good fish (6)
3 Man with craft centre (6)
4 Bring back miracle performing (7)
6 Have poor Alan getting cold during snowfall? (9)
7 Blow up by dock (8)
8 Risk putting stop to incense (8)
11 Slight advance made around mid-morning (4)
15 Join volunteers using harbour (9)
17 Recollect soldiers taking part (8)
18 Silent sort of man paid attention (8)
20 Some pianoforte chords resound (4)
21 Attractive bar with overhead generator (7)
22 I get in, putting out light (6)
23 Lays on chairs, rising around midnight (6)
26 Resident left coal around (5)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday December 12.

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Encounter in Edinburgh

IAN DAVIDSON
on
EUROPE

The central question facing next week's European summit in Edinburgh is whether the member states wish, or indeed are any longer able, to keep alive the Community model of European integration as we have known it for the past 40 years. No doubt all or most of the original six founder members would wish to do so, and perhaps also Spain and Portugal. But the pressure of circumstances, and contrary pulls in other directions, may make it impossible.

This fundamental question will underlie two of the most important items of the agenda: the Danish problem, and the issue of the future enlargement of the EC. The way these two issues are handled may well, between them, mark the end of the Community as we know it.

The conventional wisdom is that the Danish problem is insoluble; in fact, it may be easily soluble, but only by setting a deeply damaging precedent for the future of the Community. The Danes have asked for exemptions from some of the far-reaching ambitions of the Maastricht treaty, including monetary union and the eventual development of a common defence; and they want these exemptions to be given legally binding form.

Many people assume that the words "legally binding" would require a change in the Maastricht treaty; but since the other member states have ruled out any renegotiation, the Danes will have to scale back their demands, and solve "their" problem on their own.

This is precisely what they may do. The obvious precedent is the 1963 Franco-German Treaty of Friendship and Co-operation. President de Gaulle of France intended the treaty to introduce a new Franco-German priority into the policy of the Federal Republic. But when the Bundestag ratified the treaty, it tacked on a preamble which said, in effect: "This treaty does not diminish our commitment to Nato or our friendship with the US." De Gaulle was furious.

The lesson is simple. The Danes can simply put a new bill through their own parliament, to say, in effect: "None of the following commitments in the Maastricht treaty applies to us." This would be "legally binding" in Denmark, but not on the rest of the Community: problem solved, QED.

At that point, Maastricht may be ratifiable in Denmark; it may even be ratifiable in Britain, if Mr John Major ever recovers some authority over his party. But in either event the treaty will have been voided of much of its substance, by the unilateral action of one member state.

The enlargement of the EC, as discussed in a recent publication*, is now assumed to be inevitable, just because there are so many qualified candidates waiting at the door. Norway last week added its name to the list, which includes Austria, Finland, Sweden, Switzerland, Turkey, Cyprus and Malta.

Until now, the applications have been stalled by the trials and tribulations of Maastricht. But once the treaty is ratified, the EC can start to negotiate *with the candidates*.

It is not clear, however, that these candidates can join without jeopardising the EC's future development. A case in point is the treaty objective of a common foreign and security policy (CFSP). The Commission has said that no country should be admitted which is not committed to the objective of a CFSP; but four of the five leading candidates are or have been neutral. If Denmark (which is in Nato) can sign up for a common defence, and then write itself an opt-out, it will be hard to demand any foreign policy commitment from the Swedes or the Swiss.

The trouble with the treaty is that the heart of it consists of programmes for *future* action. Some are precise, such as the programme for monetary union; and some are vague, such as the aim of a CFSP. But the common assumption is that this is a homogeneous Community of reasonably like-minded states, all more or less committed to the programme. If the Danes, the British or the Germans give themselves let-outs in advance, then the treaty is as leaky as a colander. It might be logical to admit members *before* negotiating a Maastricht-type programme; or after it had been implemented; but not in the middle.

More seriously, the admission of a large number of members must change the *general* character of the EC; the neutrality of the candidates is less important than their size and number.

At the simplest level, it is obvious that policy decision-making will be more difficult in a Community of 17 than in one of 12; a Community of 25 will largely cease to take any decisions. One possible response would be more majority voting; the problem is that majority voting is only easily manageable in a homogeneous group, whereas enlargement necessarily means less homogeneity. Finland is much more different from Greece than Belgium is from Holland.

The essentially universalist characteristic of the EC in the past was that all member states took part in all decision-making. The programme for monetary union in the Maastricht treaty marks the beginning of variable speed policies in action; large-scale enlargement will spell the end of universalist decision-making, and thus the end of the Community as we have known it.

* *The European Community: the Challenge of Enlargement by Anna Michalski and Helen Wallace, Chatham House, 10 St James's Sq, SW1*

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